



UNAUDITED ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2019**

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 72, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution of South Africa Act No.108 of 1996, read with the Remuneration of Public Officer Bearers Act No. 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

N J MDAKANE
MUNICIPAL MANAGER

Date

Annual Financial Statements

for

KWADUKUZA MUNICIPALITY

for the year ended

30 June 2019

Province:

KwaZulu Natal

AFS rounding:

R

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KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019

General information

Members of the Council

DR N R Mthembu	Mayor (01 July 2018 - 16 May 2019)
	Deputy Mayor (01 July 2018- 16 May 2019)
	Acting Mayor (17 May 2019 - 30 June 2019)
G Govender	Speaker
R Z P Zulu	Member of the Executive Committee
N R Khumalo	Member of the Executive Committee
M S Sing	Member of the Executive Committee
J L T Sibiya	Member of the Executive Committee
T V Ntuli	Member of the Executive Committee
J A Vallan	Member of the Executive Committee
J S Phahla	Member of the Executive Committee
D W Ndimande	Chief Whip
O L Nhaca	Chair: MPAC
V Govender	Councillor
M E Ngidi	Councillor
I P Dube	Councillor
N J Mpanza	Councillor
H Mbatha	Councillor
S W Ntuli	Councillor
L A E Yingwana	Councillor
M Suleman	Councillor
M S Mhlongo	Councillor
T T Dube	Councillor
C D Mthembu	Councillor
V V Shezi	Councillor
M Ndlela	Councillor
N R Shezi	Councillor
T S Ngidi	Councillor
P B Mabaso	Councillor
B I Dindi	Councillor
S L Cele	Councillor
N Qwabe	Councillor
A L Sahadew	Councillor
T Colley	Councillor
V Pillay	Councillor
T P Du Toit	Councillor
S Naidoo	Councillor
M Naidoo	Councillor
A L Nzama	Councillor
P Naidoo	Councillor
N Dasrath	Councillor
D H Mthembu	Councillor
L I Mthembu	Councillor
T Nkosi	Councillor
C M Ntleko	Councillor
M M Madlala	Councillor
M E Zungu	Councillor
N P Dube	Councillor
E B Majola	Councillor
A M Baardman	Councillor
M S C M Motala	Councillor
G J Van Whye	Councillor
R Singh	Councillor
T K Gumede	Councillor
A K Dawood	Councillor
S M R Mfeka	Councillor
G Z Mngomezulu	Councillor
I T Nxumalo	Councillor
V Mathonsi	Traditional Leader
D Z Gumede	Traditional Leader
A M Zulu	Traditional Leader
M B Cele	Traditional Leader
H K Dube	Traditional Leader
S Mthembu	Traditional Leader

KWADUKUZA MUNICIPALITY
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General information (continued)

Municipal Manager

Mr N J Mdakane

Chief Financial Officer

Mr S M Rajcoomar

Grading of Local Authority

Category 4

Auditors

Auditor General South Africa (AGSA)

Primary Bankers

ABSA Bank

Registered Office:

KwaDukuza Municipality

Physical address:

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KwaDukuza
4450

Postal address:

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**KWADUKUZA MUNICIPALITY
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KWADUKUZA MUNICIPALITY
UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Note	2019 R	2018 - Restated R
ASSETS			
Current assets		918 703 336	723 487 849
Inventories	8	5 366 257	7 056 782
Receivables from exchange transactions	9	103 340 956	97 969 111
Receivables from non-exchange transactions	10	103 633 359	102 065 105
VAT receivable	11	7 648 230	5 609 145
Current portion of long-term receivables	7	18 509	6 723
Short term investments	12	132 756 847	106 872 971
Cash and cash equivalents	13	565 939 178	403 908 013
Non-current assets		2 293 248 880	2 182 195 795
Investment properties	2	175 430 000	170 580 000
Property, plant and equipment	3	2 113 748 872	2 006 023 678
Intangible assets	4	3 341 566	4 845 240
Heritage Assets	5	105 386	105 386
Long-term receivables	7	623 055	641 491
Total Assets		3 211 952 216	2 905 683 644
LIABILITIES			
Current liabilities		391 192 405	314 108 322
Leases	16	939 758	-
Employee benefits	6	3 048 712	2 946 714
Trade and other payables	20	297 632 637	214 083 214
Unspent conditional grants, receipts and Public contributions	17	42 569 118	52 234 440
Current provisions	18	1 890 591	1 791 722
Deposits	21	33 500 617	32 018 269
Long service awards	6	1 780 955	1 704 438
Current portion of long term liabilities	19	9 830 016	9 329 526
Non-current liabilities		340 996 180	357 964 331
Leases	16	1 602 325	-
Employee benefits	6	90 757 603	91 779 566
Non-current provisions	18	18 232 290	29 668 542
Long service awards	6	19 305 920	15 588 164
Long-term liabilities	19	211 098 042	220 928 059
Total Liabilities		732 188 585	672 072 653
Net Assets		2 479 763 638	2 233 610 993
NET ASSETS			
Reserves			
Revaluation reserve	14	18 313 137	18 313 137
Housing Operating Account	15	8 728 156	8 728 156
Accumulated surplus		2 452 722 353	2 206 569 708
Total Net Assets		2 479 763 638	2 233 610 993

KWADUKUZA MUNICIPALITY
UNAUDITED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 R	2018 - Restated R
REVENUE			
Revenue from exchange transactions			
Service charges	22	868 459 465	790 314 420
Rental of facilities and equipment		1 226 997	1 487 942
Interest earned outstanding debtors		6 347 681	5 231 489
Other income	23	51 501 105	54 794 039
Gain on disposal of property, plant and equipment		-	-
Interest received - investments	24	39 869 430	31 076 918
Total revenue from exchange transactions		967 404 679	882 904 809
Taxation revenue			
Property rates	25	441 683 306	396 521 497
Property rates - penalties imposed	25	14 684 033	11 281 177
Licences and permits (Non-exchange)		11 136 751	11 134 549
Transfer revenue			
Government grants, subsidies & Public Contributions	26 & 27	235 503 810	215 299 863
Donations		27 675 743	10 953 556
Fines	43	12 779 409	19 729 568
Total revenue from non-exchange transactions		743 463 052	664 920 210
Total Revenue		1 710 867 732	1 547 825 019
EXPENDITURE			
Employee related costs	28	362 790 990	336 226 172
Remuneration of councillors	29	22 293 002	21 811 650
Adjustments to Provisions	18	630 181	137 755
Depreciation and amortisation	30	70 046 825	67 347 666
Impairment loss	31	818 871	4 075 102
Finance costs	32	22 222 847	23 102 861
Debt Impairment	33	48 085 706	17 832 038
Bulk purchases	34	630 488 802	567 223 215
Contracted services	44	156 042 760	130 669 492
General Expenses	35	148 826 881	145 390 408
Employee and Long Services Benefits	6	3 794 273	6 863 450
Donation Expense		-	1 201 499
Total Expenditure		1 466 041 137	1 321 881 306
Operating Surplus		244 826 594	225 943 713
Loss on disposal of assets and liabilities	3 & 4	(3 523 949)	(2 847 211)
Fair value adjustments	36	4 850 000	6 095 000
		1 326 051	3 247 789
SURPLUS FOR THE YEAR		246 152 645	229 191 502

KWADUKUZA MUNICIPALITY
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2019

	<u>Revaluation Reserve</u> R	<u>Housing Operating Account</u>	<u>Total Reserves</u>	<u>Accumulated Surplus</u> R	<u>Total Net Assets</u> R
Restated Balance at 01 July 2016	18 313 137	8 728 156	27 041 293	1 772 897 974	1 799 939 267
Surplus for the year 2016/2017	-		-	156 014 216	156 014 216
Adjustment to Other Income 2016/2017 - reversal of transfer of electrical connection deposits to revenue				(205 897)	(205 897)
Adjustment to Rates Revenue prior to 2017/2018 due to S78 and other related adjustments				109 591	109 591
Loss on derecognition of assets - Electrical Infrastructure				(4 290 308)	(4 290 308)
Loss on derecognition of Furniture and Fittings				(17 336)	(17 336)
Take-on off electrical Infrastructure assets - Developers Contribution				42 997 558	42 997 558
Adjustment to Depreciation prior to 2017/2018				(2 919 872)	(2 919 872)
Adjustment to Impairment loss prior to 2017/2018				139	139
Intangible Assets incorrectly capitalised (Javlin 5 Classic)				(10 570)	(10 570)
Intangible Assets incorrectly capitalised (Javlin 5 Classic) - Accumulated Amortisation prior 17/18				9 810	9 810
Reversal of Donations erroneously transferred to Provision				29 833 440	29 833 440
Adjustment to provision in respect of developers contribution prior 2016/2017				(17 024 266)	(17 024 266)
Adjustment to provision in respect of developers contribution prior 2016/2017				(3 527 552)	(3 527 552)
Electrical Infrastructure incorrectly capitalised prior to 2016/2017				(14 189)	(14 189)
Adjustment to Depreciation prior to 2017/2018				3 591	3 591
Recognition of Electrical Assets - Donations				3 573 116	3 573 116
Depreciation on recognised electrical assets				(39 458)	(39 458)
Reversal of impairment previously recognised				243	243
Reversal of Proceeds previously recognised				(12 025)	(12 025)
Restated* Balance at 01 July 2017	18 313 137	8 728 156	27 041 293	1 977 378 206	2 004 419 492
Changes in net assets	-	-	-	-	-
Surplus for the year 2017/18	-	-	-	229 191 502	229 191 502
Total changes					
Restated Balance at 30 June 2018	18 313 137	8 728 156	27 041 293	2 206 569 708	2 233 610 993
Surplus for the year 2018/2019				246 152 645	246 152 645
Balance at 30 June 2019	18 313 137	8 728 156	27 041 293	2 452 722 353	2 479 763 638
Note(s)	14	15			
Note 41 provides further details of adjustments pertaining to the 2016/2017 and 2017/2018 financials years.					

KWADUKUZA MUNICIPALITY
UNAUDITED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

Figures in Rand

	Note	2019	2018 (Restated)
Cash flows from operating activities			
Receipts			
Interest income		39 869 430	31 076 918
Cash received	42	1 588 584 814	1 463 428 794
		1 628 454 244	1 494 505 712
Payments			
Finance costs		(22 222 847)	(23 102 861)
Cash paid	42	(1260 098 112)	(1 191 562 594)
		(1282 320 959)	(1 214 665 455)
Net cash flows from operating activities		346 133 285	279 840 258
Cash flows from investing activities			
Purchase of Property, Plant & Equipment	3	(150 043 042)	(152 806 333)
Proceeds from sale of property, plant and equipment	3	22 280	141 100
Purchase of other intangible assets	4	-	-
Movement in short term investments		(25 883 877)	14 587 572
Net cash flows from investing activities		(175 904 638)	(138 077 661)
Cash flows from financing activities			
Consumer deposits		1 482 348	624 783
Movement in long term liabilities		(9 329 527)	(8 684 418)
Finance lease payments		(350 382)	(4 098)
Net cash flows from financing activities		(8 197 561)	(8 063 733)
Net increase/(decrease) in cash and cash equivalents		162 031 086	133 698 864
Cash and cash equivalents at the beginning of the year		403 908 014	270 209 149
Cash and cash equivalents at the end of the year	13	565 939 100	403 908 014

KWADUKUZA MUNICIPALITY
UNAUDITED STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS (Please refer to Note 59)
FOR THE YEAR ENDED 30 JUNE 2019

	Approved Budget	Adjustments	Adjustments Budget		30 June 2019 Final Budget	Actual amounts	Difference between final budget and actual	Percentage Variance	Note Reference
Statement of Financial Performance									
Revenue									
Revenue from Exchange Transactions:									
Service Charges	804 941 296	29 076 402	834 017 698	-	834 017 698	868 459 465	34 441 767	4%	
Rental of facilities & Equipment	1 160 660	469 504	1 630 164	-	1 630 164	1 226 997	-403 167	-25%	
Interest earned outstanding debtors	7 200 004	-350 000	6 850 004	-	6 850 004	6 347 681	-502 323	-7%	
Other Income	34 636 035	3 863 076	38 719 111	-	38 719 111	51 501 105	12 781 994	33%	58.1
Interest received - investments	23 004 914	7 020 302	30 025 216	-	30 025 216	39 869 430	9 844 214	33%	58.2
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS	871 142 909	40 099 284	911 242 193	-	911 242 193	967 404 679	56 162 486		
Revenue from Non-Exchange Transactions:									
Taxation Revenue									
Property rates	430 790 801	20 499 998	451 290 799	-	451 290 799	441 683 306	-9 607 493	-2%	
Property rates - penalties imposed				-		14 684 033	14 684 033	100%	58.4
Licences & permits (including agency fees)	9 892 919	750 000	10 642 918	-	10 642 918	11 136 751	493 833	5%	
Transfer Revenue									
Government grants and subsidies	166 667 250	-1 616 645	165 050 605	-	165 050 605	163 580 858	-1 469 747	-1%	
Public contributions and donations				-		27 675 743	27 675 743	100%	58.3
Fines	47 018 919	-8 699 750	38 319 169	-	38 319 169	12 779 409	-25 539 760	-67%	58.5
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS:	654 369 889	10 933 603	665 303 491	-	665 303 491	671 540 100	6 236 609		
Total Revenue	1 525 512 798	51 032 886	1 576 545 684	-	1 576 545 684	1 638 944 780	62 399 095		
Expenditure									
Employee Related Costs	376 583 010	8 474 702	385 057 712	385 151 321	385 151 321	362 790 990	-22 360 331	-6%	
Remuneration of Councillors	23 182 405	-	23 182 405	-	23 182 405	22 293 002	-889 403	-4%	
Depreciation, amortisation and impairment / reversal of impairment	85 000 000	1 000 000	86 000 000	-	86 000 000	70 865 696	-15 134 304	-18%	58.7
Finance Costs	23 786 250	1	23 786 251	-	23 786 251	22 222 847	-1 563 404	-7%	
Debt Impairment	45 529 176	-37 394 846	8 134 330	-	8 134 330	48 085 706	39 951 376	491%	58.6
Bulk purchases	633 019 363	-9 357 032	623 662 331	-	623 662 331	630 488 802	6 826 471	1%	
Contracted services	150 759 733	33 693 957	184 453 690	184 324 862	184 324 862	156 042 760	-28 282 102	-15%	58.8
Loss on disposal of assets		-	-	-	-	3 523 949	3 523 949	100%	58.10
Other Expenditure	186 607 855	35 035 677	221 643 532	221 678 749	221 678 749	153 251 335	-68 427 414	-31%	58.9
Transfers and subsidies	300 000	19 976 389	20 276 389	-	20 276 389				
Total Expenditure	1 524 767 793	51 428 847	1 576 196 640	-	1 576 196 638	1 469 565 086	-86 355 163		
Operating Surplus									
Transfers recognised - capital	63 051 750	8 909 645	71 961 395	-	71 961 395	65 554 279	-6 407 116		
Contributions recognised - capital	8 201 501	-6 901 501	1 300 000	-	1 300 000	6 368 673	5 068 673		
Fair Value Adjustments	-	-	-	-	-	4 850 000	4 850 000		
	71 253 251	2 008 144	73 261 395	-	73 261 395	76 772 952	3 511 557		
Surplus before taxation	71 998 256	1 612 184	73 610 440	-	73 610 442	246 152 645	152 265 815		
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement									
Surplus for the year	71 998 256	1 612 184	73 610 440	-	73 610 442	246 152 645	152 265 815		
Funding of Capital									
Non-Current Assets									
Transfers recognised - capital	76 093 037	2 301 645	78 394 682	-	78 394 682	65 554 279	-12 840 403		
Internally generated funds	191 482 707	-49 975 263	141 507 444	-	141 507 444	78 120 090	-63 387 354		
Public Contributions and Donations	-	-	-	-	-	6 368 673	6 368 673		
Borrowings	77 186 000	-60 334 250	16 851 750	-	16 851 750	-	-16 851 750		
Total Sources of capital funds	344 761 744	-108 007 868	236 753 876	-	236 753 876	150 043 042	-86 710 834	-37%	58.11
Cash Flow Statement									
Cash flows from operating activities									
Payments									
Net cash from/(used) - Operating activities	88 511 099	160 557	88 671 656		80 003 932	346 133 285	266 129 354		
Cash flows from investing activities									
Net cash from/(used) - Investing activities	-242 207 720	103 738 127	-138 469 593	-	-138 469 593	-175 904 638	-37 435 045		
Net increase/(decrease) in cash and cash equivalents	-88 346 942	47 078 011	-41 268 931	-	-41 268 931	162 031 086	203 300 017		
Net cash from/(used) - Financing activities	65 349 679	-56 820 673	8 529 006	-	8 529 006	-8 197 561	-16 726 567		
Cash/cash equivalents at the year end	191 665 896	170 973 186	362 639 082		189 977 001	565 939 100	375 962 099		

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2 Investment Properties

	2019			2018		
	FAIR VALUE	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	FAIR VALUE	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
Investment Property	175 430 000	-	175 430 000	170 580 000	-	170 580 000
	175 430 000	-	175 430 000	170 580 000	-	170 580 000

Reconciliation of Investment Properties - 2019

	FAIR VALUE	FAIR VALUE ADJUSTMENTS	TRANSFERS	CLOSING BALANCE
Investment Property	170 580 000	4 850 000	-	175 430 000
	170 580 000	4 850 000	-	175 430 000

Reconciliation of Investment Properties - 2018

	FAIR VALUE	FAIR VALUE ADJUSTMENTS	TRANSFERS	CLOSING BALANCE
Investment Property	164 485 000	6 095 000	-	170 580 000
	164 485 000	6 095 000	-	170 580 000

3 Property, Plant and equipment

	2019			2018-restated		
	COST	ACCUMULATED DEPRECIATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED DEPRECIATION AND IMPAIRMENT	CARRYING VALUE
BUILDINGS	293 735 094	(78 425 429)	215 309 666	267 869 756	(63 928 263)	203 941 493
SOLID WASTE	6 476 193	(2 155 705)	4 320 489	5 542 881	(1 826 245)	3 716 636
VEHICLES	71 073 240	(44 683 666)	26 389 574	67 529 065	(41 405 834)	26 123 231
INFRASTRUCTURE ROADS	913 814 952	(231 777 879)	682 037 073	843 354 754	(210 090 140)	633 264 615
INFRASTRUCTURE STORMWATER	261 321 120	(76 315 661)	185 005 459	234 548 659	(70 921 690)	163 626 967
INFRASTRUCTURE ELECTRICAL	831 660 938	(253 793 045)	577 867 811	767 865 645	(235 611 120)	532 254 525
FURNITURE & FITTINGS	59 646 917	(45 709 492)	13 937 425	56 216 057	(41 290 014)	14 926 043
CEMETRIES	14 504 261	(3 768 274)	10 735 987	33 449 966	(3 180 399)	30 269 566
DEVELOPED LAND	140 821 724	-	140 821 724	141 787 924	-	141 787 924
UNDEVELOPED LAND	252 912 250	-	252 912 250	253 770 750	-	253 770 750
HOUSING	8 972 974	(7 058 195)	1 914 779	8 972 974	(6 655 829)	2 317 145
LEASED ASSETS	3 302 526	(805 891)	2 496 635	331 622	(306 841)	24 781
	-	-	-	-	-	-
	2 858 242 191	(744 493 237)	2 113 748 872	2 681 240 054	(675 216 375)	2 006 023 678

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT-2019

	OPENING BALANCE	ADDITIONS	ASSETS PREVIOUSLY NOT RECOGNISED	DONATIONS	RECOGNITION OF EXPENSED ITEMS	DERECOGNITION OF ASSETS	ASSETS WRITTEN OFF	DEPRECIATION	IMPAIRMENT LOSS	IMPAIRMENT REVERSAL	CLOSING BALANCE
Buildings	203 941 492	26 206 028					(340 690)	(14 256 402)	(240 764)		215 309 665
Solid Waste	3 716 636	754 312			179 000			(329 460)			4 320 488
Vehicles	26 123 231	3 544 175						(3 277 832)			26 389 575
Infrastructure Roads	633 264 614	71 810 653				(792 814)	(492 926)	(21 744 106)	(8 348)		682 037 073
Infrastructure Stormwater	163 626 968	26 777 366				(328)		(5 035 680)	(362 868)		185 005 458
Infrastructure Electrical	532 254 525	30 268 129		27 512 744	6 014 421			(17 979 001)	(202 924)		577 867 812
Furniture & Fittings	14 926 043	3 213 724	67 209	162 999			(2 440)	(4 426 142)	(25 365)	21 397	13 937 426
Cemeteries	30 269 567	(18 945 705)						(587 875)			10 735 987
Developed Land	141 787 924	-				(966 200)		-			140 821 724
Undeveloped Land	253 770 750	69 000				(927 500)		-			252 912 250
Housing	2 317 145							(402 366)			1 914 779
Leased Assets	24 780	2 977 194					(1 052)	(504 288)			2 496 634
	2 006 023 678	146 674 876	67 209	27 675 743	6 193 421	(2 686 841)	(837 108)	(68 543 153)	(840 269)	21 397	2 113 748 872

Classification of Assets Under Construction:

	Opening Balance	Additions	Completed Projects	Write Offs	Accumulated Impairment	Closing Balance
Buildings	31 172 811	24 712 022	(22 617 359)	(340 690)	(207 213)	32 719 571
Cemeteries	20 394 581	1 505 318	(20 451 023)	-		1 448 876
Electricity	27 012 303	28 442 991	(15 469 215)	-		39 986 079
Roads	72 775 094	79 251 266	(63 235 547)	(1 252 190)		87 538 623
Solid Waste	282 865	251 509	-	-		534 375
Total Assets under construction	151 637 654	134 163 107	(121 773 143)	(1 592 880)	(207 213)	162 227 524

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT-2018 (RESTATED)

	OPENING BALANCE	ADDITIONS	ASSETS PREVIOUSLY NOT RECOGNISED	DONATIONS	RECOGNITION OF EXPENSED ITEMS	DERECOGNITION OF ASSETS	ASSETS WRITTEN OFF	DEPRECIATION	IMPAIRMENT LOSS	IMPAIRMENT REVERSAL	CLOSING BALANCE
Buildings	178 910 786	37 124 506					(309 239)	(11 408 558)	(376 003)		203 941 492
Solid Waste	3 440 093	587 151						(310 608)	-		3 716 636
Vehicles	30 438 484	101 250						(4 416 503)	-		26 123 231
Infrastructure Roads	575 601 694	82 693 849					(207 796)	(20 541 807)	(4 281 325)		633 264 614
Infrastructure Stormwater	150 239 341	18 025 106						(4 635 780)	(1 699)		163 626 968
Infrastructure Electrical	530 551 004	9 625 187		3 453 556	6 886 891		(1 233 118)	(17 460 620)	(421 197)	852 823	532 254 527
Furniture & Fittings	16 978 079	2 378 771	90 909				(27 795)	(4 646 220)	-	152 300	14 926 043
Cemeteries	42 479 625	(11 607 290)						(602 769)	-		30 269 566
Developed Land	137 232 924	6 500 000					(1 945 000)	-	-		141 787 924
Undeveloped Land	246 326 750	400 000		7 500 000			(456 000)	-	-		253 770 750
Housing	2 757 890							(440 745)	-		2 317 145
Leased Assets	61 619						(10 860)	(25 978)	-		24 780
	1 915 018 290	145 828 532	90 909	10 953 556	6 886 891	-	(4 189 810)	(64 489 587)	(5 080 225)	1 005 123	2 006 023 678

Classification of Assets Under Construction:

	Cost as at 30 June 2018	Prior year error correction	Restated Cost as at 30 June 2018
Buildings AUC	31 172 811	-	31 172 811
Cemeteries AUC	20 394 581	-	20 394 581
Electricity AUC	27 012 303	-	27 012 303
Roads AUC	77 686 671	-4 911 576	72 775 094
Solid Waste AUC	282 865	-	282 865
Total Assets under construction	156 549 230	-4 911 576	151 637 654

4 Intangible Assets

	2019			2018 Restated		
	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
Intangible Assets	21 178 828	(18 716 200)	2 462 628	21 178 828	(17 212 528)	3 966 301
Intangible Assets - Under Development	878 938	-	878 938	878 938	-	878 938
	22 057 766	(18 716 200)	3 341 566	22 057 766	(17 212 528)	4 845 240

Reconciliation of Intangible Assets - 2019

	OPENING BALANCE	ADDITIONS	ASSET UNDER CONSTRUCTION BROUGHT INTO USE	ASSETS WRITTEN OFF	AMORTISATION	CLOSING BALANCE
Intangible Assets	3 966 300	-	-	-	(1 503 672)	2 462 628
Intangible Assets - Under Development	878 938	-	-	-	-	878 938
	4 845 240	-	-	-	(1 503 672)	3 341 566

Reconciliation of Intangible Assets - 2018

	OPENING BALANCE	ADDITIONS	ASSET UNDER CONSTRUCTION BROUGHT INTO USE	ASSETS WRITTEN OFF	AMORTISATION	CLOSING BALANCE
Intangible Assets	6 384 382	-	440 000	-	(2 858 078)	3 966 302
Intangible Assets - Under Development	1 318 938	-	(440 000)	-	-	878 938
	7 703 320	-	-	-	(2 858 078)	4 845 240

5 Heritage Assets

	2019			2018		
	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE	COST	ACCUMULATED AMORTISATION AND IMPAIRMENT	CARRYING VALUE
	105 386	-	105 386	105 386	-	105 386
Historical Monuments	105 386	-	105 386	105 386	-	105 386

2019
R

2018 Restated
R

6 EMPLOYEE BENEFIT OBLIGATIONS

6.1 Pension benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

Superannuation

The interim valuation carried out on the Superannuation Fund as at 31 March 2018 reflected:

The valuation reveals that the total fund is 100% funded on the "best estimate basis "as at the valuation date, but that it is not fully funded on the "financial soundness "basis incorporating a Solvency Reserve. In terms of the scheme, the valuator recommends that the surcharge continue to be paid in order to build up the Solvency Reserve to the full theoretical level. This Reserve is to protect the fund against adverse experience on the active member liabilities and assets. The valuator is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the Fund is suitable for the fund. In his view the Fund is in a sound financial position as at the valuation date.

Provident Fund

The interim valuation carried out on the Provident Fund as at 31 March 2018 reflected:

The fund is 98.2% funded as at the valuation date.

The valuer is satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities and that the investment strategy of the Fund is suitable for the fund.

The fund is of a sound financial position as at 30 June 2018.

Retirement Fund

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2018 reflected:

The fund is 96.2% funded on the "best estimate" funding basis as at the valuation date, and is not fully funded on the alternative bases as set out in PF Notice No. 2 of 2016. The recommendation is that the current surcharge of 21.65% be increased 35% of pensionable salaries with effect from 01 November 2018. The fund self insures its risk benefits. The view of the consultant is that the Fund is not in a sound position as at the valuation date. Based on the increase in the surcharge, the deficit is expected to be eliminated within the period allowed in the "Scheme to Eliminate Deficiency".

2019
R

2018 Restated
R

6.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, Key Health, LA Health, Samwumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

In estimating the liability for post-employment medical aid benefits a number of assumptions are required as per GRAP 25. APN 30 states that the assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	9.49%	9.63%
Health care cost inflation rate	6.93%	7.40%
Net effective discount rate	2.39%	2.08%
Average retirement age	62	63
Proportion continuing membership at retirement	75%	100%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA (90)-1	PA (90)
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		

Percentage of in-service members withdrawing before retirement:	Males	Females	Males	Females
Age 20 - 24	9%	9%	16%	24%
Age 25 - 29	8%	8%	12%	18%
Age 30 - 34	6%	6%	10%	15%
Age 35 - 39	5%	5%	10%	8%
Age 40 - 44	5%	5%	6%	6%
Age 45 - 49	4%	4%	4%	4%
Age 50 - 54	3%	3%	2%	2%
Age 55 - 59	0%	0%	1%	1%
Age 60+	0%	0%	0%	0%

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the post-employment liabilities. A discount rate of 9.49% per annum has been used. The corresponding index-linked yield at this term is 3.38%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019.

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

93 806 315

94 726 280

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	94 726 280	90 463 111
Current service cost	3 845 842	4 025 273
Interest cost	8 983 517	8 708 641
Benefit payments	(2 946 714)	(2 630 674)
Actuarial (gains)/losses	(10 802 610)	(5 840 071)
Balance at end of year	93 806 315	94 726 280

The amounts recognised in the Statement of Financial Performance were as follows:

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	2019 R	2018 Restated R
Current service cost	3 845 842	4 025 273
Interest cost	8 983 517	8 708 641
Benefit payments	(2 946 714)	(2 630 674)
Actuarial (gains)/losses	(10 802 610)	(5 840 071)
TOTAL	(919 965)	4 263 169

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

SENSITIVITY RESULTS

The liability at the Valuation Date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (2) A 1% increase and decrease in the discount rate;
- (3) A one-year age reduction in the assumed rates of post-retirement mortality;
- (4) A one-year decrease in the assumed average retirement age
- (5) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

*

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members	Continuation members	Total	% change
Central assumptions		53.044	40.762	93.806	
Health care inflation rate	+1%	58.886	43.117	102.004	9%
	-1%	45.766	37.939	83.705	-11%
Discount rate	+1%	43.418	37.099	80.517	-14%
	-1%	65.676	45.107	110.782	18%
Post-employment mortality	-1 yr	54.357	42.002	96.360	3%
Average retirement age	-1 yr	55.899	40.762	96.661	3%
Continuation of membership at retirement	-10%	46.603	40.762	87.365	-7%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 9% higher than that shown.

Table 2 summarises the results of this analysis on the Current - service and Interest Costs

2019
R

2018 Restated
R

Sensitivity Analysis on Current-service and Interest Costs

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		3,845,800	8,983,500	12,829,300	
Health care inflation rate	+1%	4,250,500	9,693,100	13,943,600	9%
	-1%	3,263,600	8,075,400	11,339,000	-12%
Discount rate	+1%	3,040,100	8,480,300	11,520,400	-10%
	-1%	4,921,900	9,531,100	14,453,000	13%
Post-employment mortality	-1 yr	3,949,200	9,249,100	13,198,300	3%
Average retirement age	-1 yr	4,023,600	9,280,200	13,303,800	4%
Continuation of membership at retirement	-10%	3,500,600	8,469,900	11,970,500	-7%

HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE ADJUSTMENTS

The following table summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

History of liabilities and assets (R millions)

Liability history	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019
Accrued liability	66.818	84.223	90.463	94.726	93.806
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus / (Deficit)	(66.818)	(84.223)	(90.463)	(94.726)	(93.806)

6.3 Long service awards and retirement gifts

The independent valuers, Arch Actuarial Consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

In estimating the liability for long service leave benefits, a number of assumptions are required as per GRAP 25. These assumptions should be realistic and mutually compatible. The most relevant actuarial assumptions used in this valuation are discussed below.

Discount rate per annum	8.21%	8.63%
General Salary Inflation (long term)	5.59%	6.22%
Net effective discount rate	2.48%	2.27%

Examples of mortality rates used were as follows:

Average retirement age	62 years	63 years
Mortality during employment	SA85-90	SA85-90

Members withdrawn from service:

	Males	Females	Males	Females
Age 20 - 24	9%	9%	16%	24%
Age 25 - 29	8%	8%	12%	18%
Age 30 - 34	6%	6%	10%	15%
Age 35 - 39	5%	5%	8%	10%
Age 40 - 44	5%	5%	6%	6%
Age 45 - 49	4%	4%	4%	4%
Age 50 - 54	3%	3%	2%	2%
Age 55 - 59	0%	0%	1%	1%
Age 60+	0%	0%	0%	0%

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2019
R

2018 Restated
R

Discount Rate:

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. A discount rate of 8.21% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.21% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.98%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 28 June 2019.

The amounts recognised in the Statement of Financial Position were determined as follows:

Present value of funded obligations
Fair value of plan assets

Liability in the Statement of Financial Position	21 086 875	17 292 602
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Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	17 292 602	14 692 321
Current service cost	1 542 837	1 412 961
Interest cost	1 420 327	1 153 016
Actuarial (Gain)/losses	1 898 485	511 304
Benefit payments	(1 704 438)	(2 247 862)
Past service costs	637 062	-
Allowances for Pro-Rata leave awards	-	1 770 862
Balance at end of year	21 086 875	17 292 602

The amounts recognised in the Statement of Financial Performance were as follows:

Current service cost	1 542 837	1 412 961
Interest cost	1 420 327	1 153 016
Actuarial (Gain)/losses	1 898 485	511 304
Benefit payments	(1 704 438)	(2 247 862)
Past service cost	637 062	-
Allowances for Pro-Rata leave awards	-	1 770 862
TOTAL	3 794 273	2 600 281

In conclusion:

Statement of Financial Position obligation for:		
Post-employment medical benefits	93 806 315	94 726 280
Current Portion	3 048 712	2 946 714
Non- Current Portion	90 757 603	91 779 566
Long Service Award	21 086 875	17 292 602
Current Portion	1 780 955	1 704 438
Non- Current Portion	19 305 920	15 588 164
	114 893 190	112 018 882
Statement of Financial Performance obligation for:		
Post-employment medical benefits	(919 965)	4 263 169
Long Service Award loss	3 794 273	2 600 281
	2 874 308	6 863 450

SENSITIVITY ANALYSIS

2019
R

2018 Restated
R

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results are:

- (1) The general salary inflation rate assumption
- (2) The discount rate assumption
- (3) The average retirement age of employees
- (4) Assumed rates of withdrawal of employees from service

SENSITIVITY RESULTS

The liability at the Valuation date was recalculated to show the effect of:

- (1) A 1% increase and decrease in the assumed general salary inflation rate.
- (2) A 1% increase and decrease in the discount rate.
- (3) A two-year decrease and increase in the assumed average retirement age of employees.
- (4) A 50% decrease in the assumed withdrawal rates from service.

Tables 1 summarises the results of the sensitivity analysis.

Sensitivity Analysis of the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		21.087	
General earnings inflation rate	+1%	22.533	7%
	-1%	19.787	-6%
Discount rate	+1%	19.664	-7%
	-1%	22.701	8%
Average retirement age	-2 yrs	19.799	-6%
	+2 yrs	22.240	5%
Withdrawal rates	-50%	24.308	15%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher

Table 2 summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2019

Sensitivity Analysis on Current-service and Interest Costs

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		1,542,800	1,420,300	2,963,100	
General earnings inflation rate	+1%	1,683,100	1,525,900	3,209,000	8%
	-1%	1,418,200	1,325,500	2,743,700	-7%
Discount rate	+1%	1,425,200	1,469,300	2,894,500	-2%
	-1%	1,677,100	1,359,700	3,036,800	2%
Average retirement age	-2 yrs	1,452,200	1,327,000	2,779,200	-6%
	+2 yrs	1,632,900	1,503,700	3,136,600	6%
Withdrawal rates	-50%	2,003,200	1,687,600	3,690,800	25%

2019
R

2018 Restated
R

**HISTORY OF LIABILITIES, ASSETS AND EXPERIENCE
ADJUSTMENTS**

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

History of liabilities and assets (R millions)

Liability history	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019
Accrued liability	12,571,000	12,899,267	14,692,321	17,292,602	21,086,875
Plan asset	0	0	0	0	0
Surplus / (Deficit)	(12,571,000)	(12,899,267)	(14,692,321)	(17,292,602)	(21,086,875)

7 LONG-TERM RECEIVABLES

Housing selling scheme loans	3 906 420	4 279 541
Less: Allowance for impairment and future housing discounts	(3 264 855)	(3 631 327)
Total	641 565	648 214

Transfer to Current Portion

Less: Current portion transferred to current receivables	(18 509)	(6 723)
Total Receivables	623 055	641 491

Written - off during the year	629 971	932 150
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HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

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	2019 R	2018 Restated R
8 INVENTORIES		
Housing Inventory	142 490	167 164
Consumable stores	339 775	455 073
Mechanical spares	14 372	12 577
Electrical maintenance spares	4 811 229	6 361 803
Fuel	58 390	60 164
Total Inventories	5 366 257	7 056 782
Periodically, physical stock counts are carried out.		
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	103 570 768	97 622 503
Estate	81 749	77 072
Refuse	17 198 718	13 790 016
VAT on Consumer debtors	18 233 887	16 603 542
Legal Fees	4 889 085	3 925 659
Encroachment and plot clearing	626 645	535 660
Sundry Adjustments	150 980	140 579
Interest	7 965 771	5 714 246
Add back credits included above	298 511	300 254
Less: Allowance for impairment	(49 675 158)	(40 740 420)
	103 340 956	97 969 111
Electricity		
Current (0 – 30 days)	80 340 262	81 666 380
31 - 60 Days	5 063 226	2 595 796
61 - 90 Days	2 710 561	1 809 155
91 - 120 Days	1 778 044	2 281 769
Greater than 120 days	13 678 676	9 269 403
Total	103 570 768	97 622 503
Estate		
Current (0 – 30 days)	3 597	1 980
31 - 60 Days	1 133	1 063
61 - 90 Days	1 063	1 086
91 - 120 Days	809	1 086
Greater than 120 days	75 148	71 857
Total	81 749	77 072
Refuse		
Current (0 – 30 days)	2 873 112	2 502 006
31 - 60 Days	1 102 302	3 426 180
61 - 90 Days	770 588	590 249
91 - 120 Days	860 035	497 625
Greater than 120 days	11 592 680	6 773 956
Total	17 198 718	13 790 016

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	2019 R	2018 Restated R
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
VAT on Consumer Debtors		
Current (0 – 30 days)	12 505 603	11 799 836
31 - 60 Days	859 379	853 066
61 - 90 Days	500 596	340 807
91 - 120 Days	414 549	1 386 726
Greater than 120 days	3 953 760	2 223 107
Total	18 233 887	16 603 542
Legal Fees		
Current (0 – 30 days)	402 235	505 157
31 - 60 Days	217 908	197 627
61 - 90 Days	49 127	144 828
91 - 120 Days	97 875	107 495
Greater than 120 days	4 121 940	2 970 552
Total	4 889 085	3 925 659
Encroachment and plot clearing		
Current (0 – 30 days)	1 344	25 676
31 - 60 Days	2 965	64
61 - 90 Days	1 515	97 177
91 - 120 Days	40 693	16 369
Greater than 120 days	580 127	396 374
Total	626 645	535 660
Sundry Adjustments		
Current (0 – 30 days)	88 370	90 544
31 - 60 Days	(12 822)	(2 237)
61 - 90 Days	(3 934)	8 843
91 - 120 Days	4 071	25 760
Greater than 120 days	75 295	17 669
Total	150 980	140 579
Interest		
Current (0 – 30 days)	585 943	422 888
31 - 60 Days	471 144	294 178
61 - 90 Days	417 046	270 559
91 - 120 Days	375 591	225 824
Greater than 120 days	6 116 047	4 500 797
Total	7 965 771	5 714 246
Add: credits included above		
Current (0 – 30 days)	9 325 028	9 471 587
31 - 60 Days	(1 020 762)	(3 323 528)
61 - 90 Days	(889 401)	(795 637)
91 - 120 Days	(538 309)	(1 238 137)
Greater than 120 days	(6 578 046)	(3 814 031)
Total	298 511	300 254

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	2019 R	2018 Restated R
9. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Reconciliation of the Allowance for Impairment		
Balance at beginning of the year		
Receivables from exchange transactions	40 740 420	40 740 420
Long term receivables	3 631 327	4 127 448
Receivables from non-exchange transactions	136 062 351	120 225 809
Total balance at beginning of the year	180 434 098	165 093 677
(Release from) / Contribution to provision		
Receivables from exchange transactions	8 934 738	-
Long term receivables	(366 472)	(496 121)
Receivables from non-exchange transactions	32 686 447	15 836 542
Total (Release from) / Contribution to provision	41 254 714	15 340 421
Balance at end of year		
Receivables from exchange transactions	49 675 158	40 740 420
Long term receivables	3 264 855	3 631 327
Receivables from non-exchange transactions	168 748 798	136 062 351
Total Balance at end of year	221 688 812	180 434 098
Bad debts written off		
Bad debts written off - Exchange Transactions	768 760	41 878
Bad debts written off - Non - Exchange Transactions	5 065 790	313 692
Total Bad debts written off	5 834 549	355 569
10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	128 370 247	106 224 097
Other debtors	141 912 447	129 682 720
Department of Housing - RDP projects	251 934	251 934
Operating leases	1 847 529	1 968 704
less: Allowance for impairment	(168 748 798)	(136 062 351)
	103 633 359	102 065 105
Rates		
Current (0 – 30 days)	22 546 929	17 200 374
31 - 60 Days	9 251 596	7 822 783
61 - 90 Days	6 952 153	5 441 241
91 - 120 Days	6 026 396	4 523 066
Greater than 120 days	83 593 173	71 236 633
Total	128 370 247	106 224 097
Other Debtors:		
Included in Other Debtors are:		
Debtors in respect of Legal Fees outstanding	-	32 637
Contour Prepaid Vending Debtor	724 796	526 414
Traffic Fines Debtor	98 716 410	88 066 016
Accrued Income	2 511 008	2 217 075
Ilembe water deposits	56 491	56 491
Sundry Debtors - R&G	32 036 696	30 131 369
Prepaid expenditure	7 118 533	6 942 675
Housing bridge financing and pay parking	748 513	1 710 043
	141 912 447	129 682 720

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2019
R

2018 Restated
R

Included in Sundry debtors is Fruitless & Wasteful expenditure relating to BPB Sindi & Khayelihle Projects has been fully impaired subject to the outcomes of Section 32 of the MFMA.

11 VAT Receivable

VAT

7 648 230

5 609 145

VAT is recognised / (accounted for) on a payments basis. Once payment is received from debtors VAT is paid over to SARS.

12 Short term investments

The municipality has the following short term investments

ABSA Bank Account - Stanger Branch Account Number 2073166734	-	14 327 014
First National Bank Account- Stanger Branch Account Number 71186421337	-	21 139 121
Nedbank Account - Stanger Branch Account Number 31337173 - 9969	-	16 287 141
Investec Bank Account - Durban Branch Account Number 1100-482666-456	27 388 466	25 363 963
Standard Bank Account - Durban Branch Account Number 058756442-086	-	12 035 116
Nedbank Account - Stanger Branch Account Number 9996-19832841	115 817	108 474
Nedbank Account - Stanger Branch Account Number 9997-19832841	201 565	188 786
ABSA Bank Account - Stanger Branch Account Number 03/7881022337-159	-	17 000 000
ABSA Bank Account - Stanger Branch Account Number 03/7881022337-159	-	423 355
Nedbank Bank Account - Treasury Branch Account Number 03/7881022337/161	24 000 000	-
Standard Bank Account - Durban Branch Account Number 058756442-088	20 500 000	-
Standard Bank Account - Durban Branch Account Number 058756442-087	13 051 000	-
Standard Bank Account - Durban Branch Account Number 058756442-089	25 000 000	-
Nedbank Bank Account - Treasury Branch Account Number 03/7881022337/162	22 500 000	-
	132 756 847	106 872 971

KWADUKUZA MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2019

13 Cash and cash equivalents

Cash and cash equivalents consist of:

	Bank statement balances		Cash book balances	
	2019	2018	2019	2018
Bank Balances and short term deposits	557 984 432	397 946 208	565 939 178	403 908 013

The municipality had the following Investment and Bank accounts

Account number / description	Bank statement balances		Cash book balances	
	2019	2018	2019	2018
Nedbank Bank Account - Stanger Branch Account Number 31337173-9975: Call Account	8 605 388	8 054 265	8 605 388	8 054 265
First National Bank Account - Stanger Branch Account Number 62288308672	618 947	588 584	618 947	588 584
First National Bank Account - Stanger Branch Account Number 62288306147	308 819	293 670	308 819	293 670
First National Bank Account - Stanger Branch Account Number 62363519251	16 398 272	15 592 697	16 398 272	15 592 697
ABSA Account - Durban Branch Account Number 93 1800 0892	13 864 159	75 518 826	13 864 159	75 518 826
ABSA Bank Account - Stanger Branch Account Number 9330098057	201 242 833	134 946 317	201 242 833	134 946 317
ABSA Bank Account - Stanger Branch Account Number 932 12992298	736 339	693 693	736 339	693 692
ABSA Bank Account - Stanger Branch Account Number 932 1890676	221 159	209 570	221 159	209 570
ABSA Bank Account - Stanger Branch Account Number 932 1890529	817 296	769 923	817 296	769 923
ABSA Bank Account - Stanger Branch Account Number 932 1063433	2 798 683	2 634 332	2 798 683	2 634 332
ABSA Bank Account - Stanger Branch Account Number 932 1889635	3 725 192	3 506 349	3 725 192	3 506 349
ABSA Bank Account - Stanger Branch Account Number 932 1890113	254 379	239 868	254 379	239 868
ABSA Bank Account - Stanger Branch Account 932 3556707	11 786 023	11 086 338	11 786 023	11 086 338
ABSA Bank Account - Stanger Branch Account Number 932 6885911	5 754 629	5 416 335	5 754 629	5 416 335
First National Bank Account - Stanger Branch Account Number 53730256310: Cheque Account	17 167 887	16 425 888	-	-

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

13 Cash and cash equivalents (Continued)

Account number / description	Bank statement balances		Cash book balances	
	2019	2018	2019	2018
Primary Bank Account ABSA Bank Stanger Branch Account Number 4087 627126	64 505 194	41 628 199	86 035 855	59 157 369
Fines Bank Account First National Bank Account - Stanger Branch Account Number 62079758268: Cheque Account	1 244 972	1 158 569	1 244 972	1 158 569
Grants Bank Account (2) ABSA- Stanger Branch Account Number 74303898107: Cheque Account	57 479 146	28 776 050	57 479 146	28 776 050
ABSA Bank - Stanger Branch Account Number 408 8890536	2 605 594	1 333 848	2 605 594	1 333 849
ABSA Bank - Stanger Branch Account Number 408 8890196	3 134 809	895 654	3 134 809	895 654
ABSA Bank - Stanger Branch Account Number 408 889105	33 777 866	28 239 819	33 777 866	28 239 819
ABSA Bank - Stanger Branch Account Number 408 8891427	45 170	50 757	45 170	50 757
ABSA Bank - Stanger Branch Account Number 408 8892732	60 045	65 054	60 045	65 054
ABSA Bank - Stanger Branch Account Number 408 8893047	152 026	164 316	152 026	164 316
ABSA Bank - Stanger Branch Account Number 408 8893306	37 314	42 388	37 314	42 388
ABSA Bank Account - Stanger Branch Account Number 93 3046 2759	2 358 145	2 230 545	2 358 145	2 230 545
ABSA Bank Account - Stanger Branch Account Number 93 3924 6273	12 838 087	12 136 485	12 838 087	12 136 485
ABSA Bank Account - Stanger Branch Account Number 93 3252 2727	5 548 524	5 247 869	5 548 524	5 247 869
ABSA Bank Account - Stanger Branch Account Number 40 9577 4472	89 897 533	-	89 897 533	-
Petty Cash & Cash on hand	-	-	408 514	2 506 747
Foreign Currency	-	-	3 183 457	2 351 776
	557 984 432	397 946 208	565 939 178	403 908 013

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

**2019
R**

**2018 (Restated)
R**

14 Revaluation reserve

Opening balance	18 313 137	18 313 137
Movement for the year	-	-
Closing balance	18 313 137	18 313 137

15 HOUSING OPERATING ACCOUNT

The Housing Operating Account is represented by the following assets and liabilities:

Fixed Assets	1 914 779	2 317 144
Housing Inventory	142 490	167 164
Debtors	781 832	261 030
Debtors: Department of Housing	251 934	251 934
Accumulations	5 854 145	5 842 609
Prepaid debtors	(217 024)	(111 725)
	8 728 156	8 728 156

16 LEASES

Minimum lease payments due

Within one year	1 156 986	
Later than 1 year and no later than 5 years	1 735 479	-
	2 892 465	-
less: Future finance charges	(350 382)	-
Present value of minimum lease payments	2 542 083	-

Present value of minimum lease payments due

Within one year	939 758	
Later than 1 year and no later than 5 years	1 602 325	-
	2 542 083	

The municipality has entered into lease agreement with Motswako Office Solutions for the use of photocopy machines, effective 01 January 2019. The lease runs for a period of 3 years.

OPERATING LEASES

OPERATING LEASES - RECEIVABLES

The future minimum lease payments receivable under operating leases for the actual receivables are as follows:

No later than 1 year	677 338	645 084
Later than 1 year and no later than 5 years	3 065 384	2 919 413
Later than 5 years	1 772 173	2 595 482
	5 514 895	6 159 979

Salient leases

The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.

OPERATING LEASES - PAYABLES

The future minimum lease payments payable under operating leases for the actual payables are as follows:

No later than 1 year	336 706	346 756
Later than 1 year and no later than 5 years	-	-
Later than 5 years	-	-
	336 706	346 756

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2019
R

2018 (Restated)
R

The municipality has entered into lease agreement with Shann Investments (PTY) LTD for the occupation of premises. The lease runs for a period of 3 years, which terminated on the 31 August 2018, with an option to extend for a further 2 years. Real rental expense escalates at 8% per annum. The municipality is in the process of extending the lease agreement for the second year.

17 Unspent conditional grants, receipts and Public contributions

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts:

Municipal Infrastructure Grant	1 392 303	-
Department of Minerals and Energy DME (INEP)	612 997	15 924 506
Department of Sports and Recreation	23 288	94 541
Municipal Assistance Programme	92 235	284 401
New library	336 761	491 516
Small Town Rehabilitation Grant	4 010 338	-
Housing Accreditation	17 118 539	17 747 140
Energy Efficiency & Demand Side Management Grant	358 995	
Ballito Junction Road	9 873 612	11 333 093
IFA Hulletts Sports Facility	275 934	1 842 953
IFA Hulletts Beach Node Development	2 748 970	4 516 290
KwaDukuza Mall Development	5 725 147	-
	42 569 118	52 234 440

18 Current Provisions

Reconciliation of Current provision

Reimbursement of Developers Contribution

Opening balance	-	-
Transfer to current provisions	11 967 563	-
Utilised during the year	(11 967 563)	-
Total	-	-

Rehabilitation of Landfill Site

Opening balance	1 791 722	1 428 862
Additions /(Decrease) to provisions	98 870	362 860
Total	1 890 591	1 791 722

Total Current Provision:

1 890 591 **1 791 722**

Reconciliation of Non - Current provision - 2019:

1. Rehabilitation of Landfill Site

Opening balance	9 116 724	9 341 829
Additions / (Decrease) to provisions	531 312	(225 105)
Total	9 648 036	9 116 724

2. Developers Contribution

Opening balance	8 539 705	7 745 764
Additions / (Decrease) to provisions	7 360 404	793 941
Utilised during the year	(11 967 563)	-
Total	3 932 546	8 539 705

3. Deferred Interest

Opening balance	12 012 113	12 806 054
Additions / (Decrease) to provisions	(7 360 404)	(793 941)
Utilised during the year	-	-
Total	4 651 709	12 012 113

Total Non - Current Provision:

18 232 290 **29 668 542**

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2019 R	2018 (Restated) R
Total Current Provision:	1 890 591	1 791 722
Total Non - Current Provision	18 232 290	29 668 542
Total Provisions:	20 122 882	31 460 264
Net adjustments to Provisions	630 181	137 755
<p>The provision created for the rehabilitation of the landfill site is based on a professional study conducted by Ecological and Environmental Services of the rehabilitation costs of the Shakaville dumpsite.</p> <p>The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2019/2020 operating budget over the MTREF.</p> <p>The provision reflects a total of R11 538 627 as the present value.</p>		
19 Long term Liabilities		
Non Annuity Loans - Bank Loans		
Bear interest at 9.73% to 10.43% and is redeemed in bi-annual instalments, including interest, over varying periods until 2032.		
Utilisation of Long Term Liabilities		
Long term liabilities have been used to finance Property, Plant & Equipment. The facility not yet utilized as at 30 June 2019 is R1 851 750.		
Non Annuity Loans	220 928 058	230 257 585
Current portion transferred to Current Liabilities	(9 830 016)	(9 329 526)
Total Long Term Liabilities	211 098 042	220 928 059
20 TRADE & OTHER PAYABLES		
Trade payables	171 221 827	95 834 941
Payments received in advance	21 660 810	21 251 751
Other creditors	22 183 582	15 971 888
Housing Agency Creditor - Department of Human Settlements	33 810 699	28 224 733
Cheques payments not yet presented to bank	269 468	6 018 110
Deposits - other	5 353 130	4 956 132
Staff leave	17 666 637	14 439 612
Staff bonus	9 134 208	7 461 695
Retentions	16 332 277	19 924 352
	297 632 637	214 083 214
Payments in advance includes prepaid electricity accruals		
21 Deposits		
Consumer Deposits in respect of:		
Electricity	33 500 617	32 018 269
22 Service charges		
Sale of electricity	808 705 750	732 877 042
Refuse removal	59 753 715	57 437 378
	868 459 465	790 314 420

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2019
R

2018 (Restated)
R

23 Other Income

Contributions demand based	15 932 241	21 564 172
Building plan fees	8 632 734	5 154 681
Sundries	3 571 346	3 965 046
Electricity availability	3 043 369	2 754 166
Proceeds from insurance	1 483	1 624 923
Admin charges	1 151 381	787 328
Sundry income	8 351 471	7 995 448
Special Rating Areas Income	10 817 079	10 763 079
Foreign exchange gains	-	185 195
	51 501 105	54 794 039

24 Investment revenue

Interest revenue

Total interest Earned on Investments & Bank Accounts

39 869 430

31 076 918

25 PROPERTY RATES

Residential	226 984 180	210 156 021
Commercial	129 278 392	109 167 457
Residential for commercial purposes	1 450 537	1 343 355
Education and State	7 079 858	5 855 782
Agriculture	2 940 227	2 818 857
Vacant	72 366 376	65 714 501
Public Service Infrastructure	1 583 734	1 465 524
Total Actual Assessment Rates	441 683 306	396 521 497
Property rates - penalties imposed	14 684 033	11 281 177
Assessment rates including Penalties	456 367 339	407 802 674

Property Valuations

Residential	39 324 747 500	38 204 670 500
Commercial	6 207 234 000	5 589 516 000
Residential for commercial purposes	190 040 000	190 040 000
Education and State	328 611 000	293 570 000
Municipal	656 604 000	567 936 000
Agriculture	3 363 335 000	3 490 348 000
Vacant	3 730 933 000	3 677 502 000
Land reform	1 075 005 000	1 189 756 000
Monuments	2 019 000	2 019 000
Public Service Infrastructure	3 210 125 000	3 211 005 000
Worship / Public Benefit Organisations	169 384 000	168 348 000
Total Property Valuations	58 258 037 500	56 584 710 500

The last general valuation came into effect on: 01.07.2014

Property rates levied in terms of the Local Government: Municipal
Property Rates Act No. 6 of 2004 (MPRA) with effect from 01/07/2007

Adjustments to the valuation roll in terms of Section 78 of the MPRA (as amended) are effected on an on-going basis. The adjustments take into account consolidations and subdivisions as well as property category changes.

Assessment rates: Cents in the rand on market valuation as follows:

Residential, informal settlements, land reform, monuments	0.741	0.686
Residential for commercial purposes	0.812	0.752
Agricultural	0.186	0.172
Industrial, business and commercial, vacant, public infrastructure, Municipal owned and worship	2.292	2.122
Properties used by an organ of state and used for public service purposes	2.292	2.122
Guest houses	2.074	1.912
Public service infrastructure	0.186	0.172

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 (Restated) R
Improved residential properties: in addition to the statutory reduction of R15 000, a further reduction of R85 000 is approved for property values exceeding R130 000. Persons owning improved residential property with a rateable value of R130 000 and below will be not be liable for the payment of rates. The first 30% of the valuation of Public Service infrastructure properties are exempt from the calculation of rates.		
Rebates:		
Land reform, worship, state land, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
All Pensioners		
Pensioners under 65 years	25%	25%
Pensioners between 65 & 75 years	30%	30%
Pensioners older than 75 years	35%	35%
Industrial incentives including:		
In the first year, thereafter phased out by 10% per annum down to 60%	100%	100%
Residential Developers incentives		
In first & second year thereafter phased out by 10% per annum		
Bonafide Agricultural properties		
 Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2018/2019 financial year:		
On an annual basis, by application, and the final date of payment being:	30 September 2018	30 September 2017
On a monthly basis, and the final dates of payment being the last working day of the month from August 2018 to June 2019.		
Interest is levied on outstanding rates per annum at :	15.5% per annum	15.5% per annum
Plus collection charges two months after the final date of payment in respect of annual rate payers and 01 July in respect of monthly rate payers:	10%	10%

26 GOVERNMENT GRANTS AND SUBSIDIES

Operating grants		
Equitable Share	147 876 000	131 541 000
Municipal Infrastructure Grant	52 573 697	62 562 000
Financial Management Grant	1 800 000	1 800 000
Department of Minerals and Energy	9 307 002	2 166 852
New Library Grant	745 755	583 844
Library Subsidy	5 028 000	3 045 000
Museum	192 000	183 000
Disaster Rough Seas	-	191 449
Small Town Rehabilitation Grant	989 662	-
Energy Efficiency & Demand Side Management Grant	4 641 005	-
Expanded Public Works Programme	1 540 000	1 565 000
Housing Accreditation	4 128 596	3 555 242
Municipal Assistance Programme (MAP)	192 166	-
Department of Sports and Recreation	121 253	88 055
	229 135 138	207 281 442

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 (Restated) R
Equitable Share		
Balance unspent at the beginning of year	-	-
Current year receipts	147 876 000	131 541 000
Conditions met – transferred to revenue	(147 876 000)	(131 541 000)
	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	-
Current year receipts	53 966 000	62 562 000
Conditions met - transferred to revenue	(52 573 697)	(62 562 000)
	<u>1 392 303</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17)

This grant was used for road & storm water infrastructure, including the construction of community halls, crèches and sports fields.

Financial Management Grant

Current year receipts	1 800 000	1 800 000
Conditions met - transferred to revenue	(1 800 000)	(1 800 000)
Conditions still to be met - remain liabilities (see note 17)	<u>-</u>	<u>-</u>

This grant is used to assist the municipality to implement financial reforms required by the MFMA.

Department of Minerals and Energy Grant

Balance unspent at beginning of year	15 924 506	8 091 358
Current year receipts	9 920 000	10 000 000
Conditions met - transferred to revenue	(9 307 002)	(2 166 852)
Paid back to the National Revenue Fund	(15 924 506)	
	<u>612 997</u>	<u>15 924 506</u>

Conditions still to be met - remain liabilities (see note 17)

This grant is used for electrification projects as part of upgrading of informal settlement areas.

New Library Grant

Balance unspent at beginning of year	491 516	511 360
Current year receipts	591 000	564 000
Conditions met - transferred to revenue	(745 755)	(583 844)
	<u>336 761</u>	<u>491 516</u>

Conditions still to be met - remain liabilities (see note 17)

This Grant is used for the payment of the cyber cadets at the Shakaskraal, Stanger Manor and KwaDukuza libraries.

Department of Sports and Recreation

Balance unspent at beginning of year	94 541	182 596
Current year receipts	50 000	-
Conditions met - transferred to revenue	(121 253)	(88 055)
	<u>23 288</u>	<u>94 541</u>

Conditions still to be met - remain liabilities (see note 17)

This grant is used to pay for Caretakers for the maintenance and upkeep of sports facilities.

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 R	2018 (Restated) R
Municipal Assistance Program		
Balance unspent at beginning of year	284 401	284 401
Current year receipts	-	-
Conditions met - transferred to revenue	(192 166)	-
	<u>92 235</u>	<u>284 401</u>
Conditions still to be met - remain liabilities (see note 17)		
This grant is used to strengthen credit control and debt collection processes.		
Museum		
Balance unspent at beginning of year	-	-
Current year receipts	192 000	183 000
Conditions met - transferred to revenue	(192 000)	(183 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17)		
This grant is for the Museum expenditure incurred.		
Disaster Rough Seas		
Balance unspent at beginning of year	-	191 449
Current year receipts	-	-
Conditions met - transferred to revenue	-	(191 449)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17)		
This grant is from Department of Provincial Local Government for the clean up operations on the beaches.		
Small Town Rehabilitation		
Balance unspent at beginning of year	-	-
Current year receipts	5 000 000	-
Conditions met - transferred to revenue	(989 662)	-
	<u>4 010 338</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17)		
This grant is for the upgrade of Theunissen Park.		
Energy Efficiency & Demand Side Management		
Balance unspent at beginning of year	-	-
Current year receipts	5 000 000	-
Conditions met - transferred to revenue	(4 641 005)	-
	<u>358 995</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17)		
This grant is for community upliftment		
Expanded Public Works Program		
Balance unspent at beginning of year	-	-
Current year receipts	1 540 000	1 565 000
Conditions met - transferred to revenue	(1 540 000)	(1 565 000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17)		
EPWP grant funding is used to expand job creation efforts in specific focus areas where labour intensive delivery methods can be measured.		

KWADUKUZA MUNICIPALITY
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2019
R

2018 (Restated)
R

Library Subsidy

Balance unspent at beginning of year	-	-
Current year receipts	5 028 000	3 045 000
Conditions met - transferred to revenue	(5 028 000)	(3 045 000)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 17)

This grant is used to fund operational expenditure within the various libraries in KwaDukuza.

Housing Accreditation Grant

Balance unspent at beginning of year	17 747 141	17 244 343
Current year receipts	3 499 994	4 058 040
Conditions met - transferred to revenue	(4 128 596)	(3 555 242)
	<u>17 118 539</u>	<u>17 747 141</u>

Conditions still to be met - remain liabilities (see note 17)

This grant is for community upliftment

27 Public Contributions

IFA Huletts Sports Facility	1 567 019	2 446 539
Ballito Junction Road	1 459 481	716 968
IFA Huletts Beach Node Development	1 767 320	4 854 914
KwaDukuza Mall Development	1 574 853	-
	<u>6 368 673</u>	<u>8 018 421</u>

Balance unspent at beginning of year	17 692 336	20 694 070
Current-year receipts	7 300 000	5 016 687
Conditions met - transferred to revenue	(6 368 673)	(8 018 421)
Balance unspent at end of year (Note 16)	<u>18 623 663</u>	<u>17 692 336</u>

Conditions still to be met - remain liabilities (see note 17)

28 Employee related costs

Basic	207 898 725	192 992 072
Bonus	15 955 222	15 457 825
Medical aid - company contributions	21 121 517	17 337 469
UIF	1 709 308	1 658 640
Industrial council levies	102 200	95 997
Leave pay provision charge	5 004 361	5 697 337
Leave & bonus provision expense	4 899 538	1 531 372
Travelling allowances	14 022 966	13 445 485
Overtime payments	41 961 663	43 282 035
Housing benefits and allowances	889 989	805 402
Group Life Assurance	1 351 372	1 135 732
Pension Contributions	37 249 736	35 577 559
Standby, Uniform, Telephone and Tool allowances	10 624 392	7 209 261
	<u>362 790 990</u>	<u>336 226 172</u>

Remuneration of the Municipal Manager

Salary and Allowances	1 432 052	1 297 386
Backpay	108 239	-
Travel Allowance	96 000	96 000
Cell Allowance	17 160	15 600
Bonus	80 577	109 212
Acting allowance	-	-
Pension & backpay pension	150 178	126 495
Pension Surcharge	-	-
Other deductions	18 268	16 224
	<u>1 902 475</u>	<u>1 660 917</u>

KWADUKUZA MUNICIPALITY
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	2019 R	2018 (Restated) R
Remuneration of the Chief Financial Officer		
Salary and Allowances	1 015 075	952 663
Backpay	22 250	19 346
Travel Allowance	475 104	475 104
Cell Allowance	14 520	13 200
Bonus	111 437	106 130
Acting allowance	-	-
Pension & backpay pension	158 823	147 139
Pension Surcharge	52 337	57 073
Other deductions	15 983	15 280
	1 865 528	1 785 934
Executive Director: Economic Development & Planning		
Salary and Allowances	1 086 582	1 010 003
Backpay	19 497	34 140
Travel Allowance	96 000	96 000
Cell Allowance	14 520	13 200
Bonus	92 221	82 899
Acting allowance	-	-
Pension & backpay pension	184 613	177 949
Pension Surcharge	60 741	69 024
Other deductions	13 996	13 293
	1 568 169	1 496 508
Executive Director: Corporate Services		
Salary and Allowances	1 266 977	1 175 164
Backpay	23 714	44 389
Travel Allowance	96 000	96 000
Cell Allowance	14 520	13 200
Bonus	92 221	82 899
Acting allowance	-	-
Pension & backpay pension	-	-
Pension Surcharge	-	-
Other deductions	16 632	15 808
	1 510 064	1 427 460
Executive Director: Community Safety		
Salary and Allowances	1 242 977	1 179 164
Backpay	23 714	44 389
Travel Allowance	120 000	92 000
Cell Allowance	14 520	13 200
Bonus	65 872	82 899
Acting allowance	-	-
Pension & backpay pension	-	-
Pension Surcharge	-	-
Other deductions	16 320	15 816
	1 483 404	1 427 468
Executive Director: Community Services & Public Amenities		
Salary and Allowances	1 002 523	941 600
Backpay	20 097	20 734
Travel Allowance	180 000	180 000
Cell Allowance	14 520	13 200
Bonus	92 221	87 083
Acting allowance	-	-
Pension & backpay pension	184 072	173 220
Pension Surcharge	-	-
Other deductions	13 677	13 060
	1 507 109	1 428 896
Chief Operations Officer		
Salary and Allowances	1 021 311	944 459
Backpay	19 497	34 140
Travel Allowance	185 400	185 400
Cell Allowance	14 520	13 200

**KWADUKUZA MUNICIPALITY
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	2019 R	2018 (Restated) R
Bonus	65 872	82 899
Acting allowance	10 028	5 844
Pension & backpay pension	160 483	154 791
Pension Surcharge	52 802	60 042
Other deductions	13 999	13 510
	1 543 912	1 494 285
Executive Director: Civil Engineering & Human Settlements		
Salary and Allowances	1 073 710	995 902
Backpay	20 097	37 618
Travel Allowance	96 000	96 000
Cell Allowance	14 520	13 200
Bonus	65 872	82 899
Acting allowance	-	-
Pension & backpay pension	196 885	186 034
Pension Surcharge	-	-
Other deductions	13 388	12 992
	1 480 471	1 424 644
Executive Director: Electrical Engineering Services		
Salary and Allowances	653 155	573 013
Backpay	14 026	-
Travel Allowance	180 000	165 000
Cell Allowance	14 520	12 100
Bonus	45 975	-
Acting allowance	-	-
Pension & backpay pension	120 093	103 142
Pension Surcharge	-	-
Other deductions	9 989	8 369
	1 037 758	861 624
Executive Director: Youth		
Salary and Allowances	298 182	-
Backpay	-	-
Travel Allowance	75 000	-
Cell Allowance	6 050	-
Bonus	-	-
Acting allowance	-	-
Pension & backpay pension	53 673	-
Pension Surcharge	-	-
Other deductions	4 154	-
	437 059	-
The Executive Director: Youth was employed on 01 January 2019. He resigned in June 2019.		
29 REMUNERATION OF COUNCILLORS		
Mayor	788 947	786 369
Deputy Mayor	728 375	637 253
Speaker	728 375	626 474
Executive Committee (EXCO)	6 291 158	5 731 665
Councillors	12 672 769	12 239 320
Councillors' pension contribution	1 073 178	1 747 969
Traditional leaders	10 200	42 600
	22 293 002	21 811 650
30 Depreciation and amortisation		
Property, Plant & Equipment	68 543 153	64 489 587
Intangible assets	1 503 672	2 858 078
	70 046 825	67 347 666

KWADUKUZA MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 (Restated) R
31 Impairment of assets		
Impairments / (Impairment Reversals)		
Property, Plant & Equipment	<u>818 871</u>	<u>4 075 102</u>
32 Finance costs		
Finance costs on borrowings	<u>22 222 847</u>	<u>23 102 861</u>
33 Debt impairment		
Contributions to debt impairment provision	41 621 185	16 544 318
Bad debts written off	<u>6 464 520</u>	<u>1 287 719</u>
	<u>48 085 706</u>	<u>17 832 038</u>
34 Bulk purchases		
Electricity	<u>630 488 802</u>	<u>567 223 215</u>
<p>Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 7.32% tariff hike in favour of Eskom for the 2018/2019 financial year.</p>		
35 GENERAL EXPENSES		
Included in general expenses is the following: -		
Replacement of faulty meters	53 080	234 957
Indigent support - parks and gardens	16 965 500	15 536 243
Indigent support - waste management	3 183 700	2 719 753
Call out to consumer complaints	25 000	1 985 194
Legal costs	5 971 884	5 046 236
Marketing	399 752	300 000
Audit fee - external audit	3 993 047	3 895 184
Bank charges	3 312 003	2 926 464
Insurance general	2 559 835	2 204 324
Refuse bags/contract	3 141 229	2 389 329
Ward Committee	4 022 400	4 355 100
Ballito Pro expenditure	6 322 956	8 693 360
Advertising	5 259 053	2 346 819
Printing, Stationery & postage	3 349 444	3 457 607
Subscriptions	3 695 502	3 473 046
Water & Sanitation	4 039 459	3 554 152
Sundry Oils & Fuels	9 190 210	8 002 755
Street lighting consumption	6 107 606	4 876 626
Staff & councillor training costs and bursaries	3 127 162	3 252 527
Travelling & subsistence	3 812 402	2 707 819
Telephone calls / rentals	2 826 109	3 745 781
Protective clothing	3 665 537	3 771 312
Non standard service connection	104 347	762 947
Software support & licences and agreements	5 450 401	4 494 695
Miscellaneous Expenses	20 160 103	21 679 296
Special Rating Area Expenditure	9 497 936	10 984 226
Rent of Property / Offices / House	2 008 751	1 846 273
EPWP	2 020 487	2 240 008
Housing Accreditation	67 953	419 020
Public Affairs	2 575 893	3 055 743
Sukuma Sakhe	2 749 224	2 142 385
KwaDukuza Music Festival	2 882 000	1 800 000
Kwanaloga Games	1 019 112	1 253 188
Workman's Compensation	1 987 330	2 463 009
Skills Development Levy	2 904 480	2 775 027
Loss on foreign currency	375 994	-
TOTAL GENERAL EXPENSES	<u>148 826 881</u>	<u>145 390 408</u>

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2019 R	2018 (Restated) R
36 Fair value adjustment		
Investment property (Fair value model)	<u>4 850 000</u>	<u>6 095 000</u>
37 Commitments		
Authorised capital expenditure		
Approved and Contracted for:		
Infrastructure	120 381 566	75 160 205
Community	34 403 081	20 073 692
	<u>154 784 647</u>	<u>95 233 897</u>
Total capital commitments		
Approved and Contracted for:	<u>154 784 647</u>	<u>95 233 897</u>
Capital Commitments are exclusive of VAT		
38 Contingent liabilities		
Details of Contingent Liabilities		
Reimbursement of capital costs of bulk supply to developers: (Vat Exc) The reimbursement is dependent on the developers meeting future targets as set out in the service level agreements. The timing and outcome of the reimbursements cannot presently be determined and therefore no provision for any liability that may result has been made in the financial statements.	107 267 244	107 267 244
Municipality is being sued arising out of a minor child sustaining injuries allegedly after being electrocuted when she touched a light pole in Hulett Street.	260 000	260 000
Municipality is being sued by S Govender pertaining to a collision involving a vehicle owned by the Municipality.	130 000	130 000
S T B Dlamini -Allegations of the Municipality's contractors encroaching onto grave sites.	100 000	100 000
Municipality is being sued for damages - plaintiff shot in leg by municipal employee using a municipal firearm.	150 000	150 000
Inqubeko Yamaqungebe Trading - claim against the municipality where the plaintiff alleges that the municipality unilaterally terminated the contract which had been concluded by the parties.	75 000	75 000
SMADA Construction - municipality is being sued for contractual damages due to cancellation of contract.	200 000	200 000
R Lutchman - Claim against the municipality due to damages to vehicle caused by pot holes.	8 192	8 192
N Dube and V Hlatswayo - claim against the municipality arising from vehicle collusion with municipal vehicle.	18 950	18 950
T Mthembu - claim against the municipality due to damages to vehicle caused by pot holes	10 012	10 012
Ibhongo Consulting - the supplier claims that certain work undertaken has not been paid.	418 352	418 352
V Govender - municipality is being sued due to plaintiff suffering damages after falling into uncovered manhole.	135 000	135 000
R I Marais - Claim against the municipality	100 000	100 000

**KWADUKUZA MUNICIPALITY
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	2019 R	2018 (Restated) R
The Plaintiff institutes action against the Defendant in which action the Plaintiff claims the relief and on the grounds of unlawful arrest.	500 000	-
N N P SHINGA - claim against the municipality due to a dispute in a Purchase and Sale Agreement.	655 897	-
Ranesh Naidoo -claim against the municipality due to damages to vehicle caused by pot holes	31 986	-
B S P Pillay - the Plaintiff is suing a municipal employee in her personal capacity for the damages, who was acting under her course and scope of employment.	200 000	-
	110 260 634	108 872 750
Various invoices from suppliers are under dispute. Neither the value nor timing may be reliably estimated at this time. Once the various review processes have been conducted, these invoices shall be recognised accordingly.	2 867 794	-
Certain payments are currently undergoing an external assessment process to determine value for money. At the time of finalisation of the AFS the report was not available for further analysis (VAT inc).	10 156 338	-

39 Related parties and close family members

Related Parties

Staff member: P Murugan

General Expenses for the year: 56 330 166 820

Nature of Transaction: The brother of the employee provide pest control services to the municipality.

Councillor: R Singh

General Expenses for the year: 33 724 108 027

Nature of Transaction: A close family member of the Councillor owns a company that provide printing services. Council conducts business with this company.

Councillor: N Dasrath

General Expenses for the year: 33 724 108 027

Nature of Transaction: A close family member of the Councillor owns a company that provide printing services. Council conducts business with this company.

Payments of remuneration to Senior Managers and Councillors - details of payments are set out in Notes 28 & 29

Awards to close family members of persons in the Service of the State:

Particulars of Award	Melokuhle Trading	Melokuhle Trading
Expenditure	-	R27 499
Individual's name / Service Provider	T Nzuza	T Nzuza
Relation in Service of the State	Spouse	Spouse
State Employer	KwaDukuza Municipality	KwaDukuza Municipality
Particulars of Award	Loveshan Naicker Investments	Loveshan Naicker Investments
Expenditure	-	R 1 956 826
Individual's name / Service Provider	L Naicker	L Naicker
Relation in Service of the State	Father	Father

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	2019 R	2018 (Restated) R
State Employer	KwaDukuza Municipality	KwaDukuza Municipality
Particulars of Award	SMEC	SMEC
Expenditure	R 1 530 338	R 4 283 866
Individual's name / Service Provider	M Phosa	M Phosa
Relation in Service of the State	Spouse	Spouse
State Employer	National Assembly	National Assembly
Particulars of Award	Conlog	Conlog
Expenditure	R 405 929	R 1 076 596
Individual's name / Service Provider	Mr Moodley & Mr Gaxeni	Mr Moodley & Mr Gaxeni
Relation in Service of the State	Spouse	Spouse
State Employer	KZN Dept. of Health / Eskom	KZN Dept. of Health / Eskom
Particulars of Award	3 D Sensation Trading	3 D Sensation Trading
Expenditure	R736 564	R 843 635
Individual's name / Service Provider	T Nzuza	T Nzuza
Relation in Service of the State	Spouse	Spouse
State Employer	KwaDukuza Municipality	KwaDukuza Municipality
Particulars of Award	Vuselelikhethelo	Vuselelikhethelo
Expenditure	-	R 313 038
Individual's name / Service Provider	T Nguba	T Nguba
Relation in Service of the State	Father	Father
State Employer	KwaDukuza Municipality	KwaDukuza Municipality

40 Change in estimate

Property, Plant and equipment

The Municipality reviewed the useful lives of items of property, plant and equipment and intangible assets. Adjustments to these useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. As a results of this adjustment, the current year total depreciation decreased by a net R3 095 936 and will continue to affect annual depreciation for the remainder of these assets' useful lives. The change in estimate is accounted for prospectively. The detail breakdown of the depreciation adjustment is as follows

Buildings	882 972
Housing Assets	(38 467)
Electricity Infrastructure	(354 462)
Storm water	53 945
Roads Infrastructure	(137 246)
Solid Waste	(29 108)
Cemeteries	(14 928)
Furniture and Fittings	(858 626)
Vehicles	(1 280 058)
Intangible Assets	(1 308 282)
Leased Assets	(11 676)
	(3 095 936)

41 Prior period errors

The comparatives for 2017/18 have been restated in respect of the following errors:

41.1 Restatement of Trade & other payables (Note 7)

Trade & other payables as previously reported.

213 800 449

KWADUKUZA MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 (Restated) R
Adjustment to street deposit refund 2017/2018 & ground deposit treated as revenue instead of liabilities		5 244
Adjustment to Building plan refund 2017/2018		62 970
Bring back electrical connection deposits that was previously transferred to revenue as the jobs have now been costed out		205 897
Credit notes issued in respect of Ferrobrake 2017/2018		(3 371)
Adjustment to payments received in advance		12 025
Restated balance as at 30 June 2018		<u>214 083 214</u>

41.2 Restatement of Non-Exchange Receivables (Note 10)

Non - exchange receivables as previously reported	97 842 544
Transfer legal fees expenses to debtors in respect of handed over accounts	32 637
Adjustments to Rates Revenue 2017/18 in respect of Valuation Appeals.	4 080 333
Adjustments to Rates Revenue Prior 2017/18 in respect of Valuation Appeals.	109 591
Restated balance as at 30 June 2018	<u>102 065 104</u>

41.3 Restatement of Property, Plant & Equipment (Note 3)

Property, Plant & Equipment as previously reported:	1 967 674 260
DE recognition of electrical infrastructure incorrectly capitalised (Developers Contribution)	(1 578 706)
DE recognition of electrical infrastructure incorrectly capitalised (Developers Contribution) - Accumulated Depreciation 17/18	38 608
DE recognition of electrical infrastructure incorrectly capitalised (Developers Contribution) - Accumulated Depreciation prior 17/18	303 717
DE recognition of electrical infrastructure incorrectly capitalised (Developers Contribution)	(2 711 602)
DE recognition of electrical infrastructure incorrectly capitalised (Developers Contribution) - Accumulated Depreciation 17/18	102 626
DE recognition of electrical infrastructure incorrectly capitalised (Developers Contribution) - Accumulated Depreciation prior 17/18	88 785
Recognition of electrical infrastructure (Developers Contribution)	41 700 931
Recognition of electrical infrastructure (Developers Contribution) - Accumulated Depreciation 17/18	(903 257)
Recognition of electrical infrastructure (Developers Contribution) - Accumulated Depreciation prior 17/18	(3 055 506)
Recognition of Street lights infrastructure (Developers Contribution)	1 296 627
Recognition of Street Lights infrastructure (Developers Contribution) - Accumulated Depreciation 17/18	(32 393)
Recognition of Street Lights infrastructure (Developers Contribution) - Accumulated Depreciation prior 17/18	(116 131)
DE recognition of Furniture and Fittings (Fire Extinguishers)	(17 336)
DE recognition of Furniture and Fittings (Fire Extinguishers) - Accumulated Depreciation 17/18	190
DE recognition of Furniture and Fittings (Fire Extinguishers) - Accumulated Depreciation prior 17/18	16 628
DE recognition of Furniture and Fittings (Fire Extinguishers) - Impairment loss prior 17/18	139
Derecognition of WIP (Roads Completed Projects)	(1 037 694)
Recognition of Roads Infrastructure (Completed Projects)	1 037 694
Recognition of Roads Infrastructure (Completed Projects) - Accumulated Depreciation 17/18	(79 386)
Recognition of Roads Infrastructure (Completed Projects) - Accumulated Depreciation prior 17/18	(86 345)
Derecognition of WIP (Stormwater Completed Projects)	(3 873 882)
Recognition of Stormwater Infrastructure (Completed Projects)	3 873 882
Recognition of Stormwater Infrastructure (Completed Projects) - Accumulated Depreciation 17/18	(65 296)

KWADUKUZA MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 (Restated) R
Recognition of Stormwater Infrastructure (Completed Projects) - Accumulated Depreciation prior 17/18		(71 020)
Derecognition of Electrical Infrastructure		(14 189)
Derecognition of Electrical Infrastructure - Accumulated Depreciation 17/18		517
Derecognition of Electrical Infrastructure - Accumulated Depreciation prior 17/18		3 591
Recognition of Electrical assets donated		3 573 116
Recognition of Electrical assets donated - Accumulated Depreciation 17/18		(5 676)
Recognition of Electrical assets donated - Accumulated Depreciation prior 17/18		(39 458)
Reversal of Impairment Loss		243
Restated balance as at 30 June 2018		<u><u>2 006 023 677</u></u>

41.4 Intangible Assets (Note 4)

Intangible Assets as previously reported:	4 992 315
Recognition of Intangible Assets from WIP (Munsoft)	440 000
De recognition from WIP to Intangible Assets (Munsoft)	(440 000)
Recognition of Intangible Assets from WIP (Munsoft) - Accumulated Amortisation 17/18	(146 566)
Intangible Assets incorrectly capitalised (Javlin 5 Classic)	(10 570)
Intangible Assets incorrectly capitalised (Javlin 5 Classic) - Accumulated Amortisation 17/18	253
Intangible Assets incorrectly capitalised (Javlin 5 Classic) - Accumulated Amortisation prior 17/18	9 810
Restated balance as at 30 June 2018	<u><u>4 845 242</u></u>

41.5 Restatement of Non-current Provisions (Note 18)

Non current provisions as previously reported:	41 739 712
Reversal of Prior Year Developers Refundable Provision	(14 655 541)
Reversal of Prior Year Developers Refundable Deferred Interest	(17 967 447)
Recognition of Corrected Developers Refundable Provision	8 539 705
Recognition of Corrected Developers Refundable Deferred Interest	12 012 113
Restates Non Current Provisions as at 30 June 2018	<u><u>29 668 542</u></u>

Reconciliation of Adjusted 2017/2018 Surplus:

Reconciliation of Adjusted 2017/2018 Surplus:

Surplus for the year as previously stated	223 444 207
Property rates	
Adjustment to Rates Revenue 2017/2018 due to S78 and other related adjustments	4 080 333
Other Income	
Adjustment to street deposits & ground deposits previously written back to revenue or classified as revenue instead of liability	(5 244)
Refund of building plan fees 2017/2018	(62 970)
General Expenses	
Adjustment to 2017/2018 General Expenses in respect of credit notes issued - Ferobake	3 371
Transfer legal fees expenses to debtors in respect of handed over accounts	32 637

KWADUKUZA MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 (Restated) R
Depreciation		
DE recognition of electrical infrastructure incorrectly capitalised (Developers Contribution) - Depreciation 17/18		38 608
DE recognition of electrical infrastructure incorrectly capitalised (Developers Contribution) - Depreciation 17/18		102 626
Recognition of electrical infrastructure (Developers Contribution) - Depreciation 17/18		(903 257)
Recognition of Street Lights infrastructure (Developers Contribution) - Depreciation 17/18		(32 393)
Derecognition of Furniture and Fittings (Fire Extinguishers) -Depreciation 17/18		190
Recognition of Roads Infrastructure (Completed Projects) - Depreciation 17/18		(79 386)
Recognition of Stormwater Infrastructure (Completed Projects) - Accumulated Depreciation 17/18		(65 296)
Derecognition of Electrical Infrastructure - Accumulated Depreciation 17/18		517
Recognition of Electrical assets donated - Accumulated Depreciation 17/18		(5 676)
Amortisation		
Recognition of Intangible Assets from WIP (Munsoft) - Amortisation 17/18		(146 566)
Intangible Assets incorrectly capitalised (Javlin 5 Classic) - Amortisation 17/18		253
Donations		
Adjustment to provision in respect of developers contribution		2 789 548
Restated Surplus as at 30 June 2018		<u><u>229 191 501</u></u>

42 Cash flows from Operating Activities:

Operating Surplus before working capital

Total Surplus for the year	246 152 645	229 191 502
Adjustment for:		
Depreciation of Property, Plant and Equipment	68 543 153	64 489 587
Donations of assets	(27 675 743)	(10 953 556)
Assets written off PPE	3 501 669	2 847 211
Impairment loss	818 871	4 075 102
Amortisation of intangible assets	1 503 672	2 858 078
Contribution to provision	630 181	137 755
Retirement obligation	(919 965)	4 263 169
Long service award	3 794 273	2 600 281
Investment Properties - Fair Value	(4 850 000)	(6 095 000)
Allowance for impairment	41 621 185	16 544 318
Bad debts written off	5 834 549	355 569
Donation expense	-	1 201 499
	<u><u>338 954 492</u></u>	<u><u>311 515 516</u></u>

Cash Generated by Operations

Operating Surplus before working capital	338 954 492	311 515 516
Movement in current assets and liabilities		
(Increase)/decrease in inventory	1 690 525	(606 726)
Increase/(decrease) in conditional grants and receipts	(9 665 321)	5 034 864
(Increase)/decrease in trade and other receivables	(54 389 184)	(40 361 707)
Increase/(decrease) in Trade and Other Payables	71 581 860	5 655 629
Increase/decrease in VAT	(2 039 085)	(1 397 318)
Net cash flows from operating activities	<u><u>346 133 285</u></u>	<u><u>279 840 258</u></u>
Interest earned on Investments	(39 869 430)	(31 076 918)
Finance expense	<u>22 222 847</u>	<u>23 102 861</u>

43 Fines

**KWADUKUZA MUNICIPALITY
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**2019
R**

**2018 (Restated)
R**

Total revenue from Fines Income

12 779 409

19 729 568

Fines are issued in terms of S341 & S56 of the Criminal Procedures Act 51 of 1977

44 Contracted Services

Refuse removal	28 940 176	25 769 186
Grass cutting	21 632 057	20 859 377
Survey and facilitation fees for roads and housing projects	287 000	-
Specialist financial and GRAP related services	925 379	1 320 257
Storm water	4 210 943	8 959 968
Pothole repairs	4 924 645	3 997 749
Other Contracted Services	28 415 996	21 383 489
Dump charges	18 142 125	17 448 126
Security Services	27 036 124	14 808 388
Shark Control Expenditure	3 634 758	3 907 193
Valuation and Valuation Rolls	810 855	682 243
Professional Fees	2 039 971	1 581 934
Commission on Electricity vending	7 514 493	5 215 286
Electrical Mains Repairs	7 528 238	4 736 296

156 042 760

130 669 492

46 Events after the reporting date

NERSA has approved a 15.63 % increase in Eskom bulk purchase tariffs.

47 Unauthorised expenditure

Overspending of amount appropriated in a vote	-	2 474 385
Reconciliation of Unauthorised expenditure written off		
Opening Balance	-	2 474 385
Incurred for the year	-	-
Written off by council	-	(2 474 385)
Remaining to be considered	-	-

48 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	-	20 000
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Reconciliation of Fruitless and Wasteful expenditure written-off by Council

Opening Balance	3 738 033	3 718 033
Incurred for the year	-	20 000
Written Off by Council	-	-
Remaining to be considered	3 738 033	3 738 033

49 Irregular Expenditure:

Other goods and/or services not procured through competitive bidding processes.	3 432 141	6 668 932
Irregular expenditure pertaining to grass cutting contracts.	18 873 824	-
Section 36 approvals subsequently reclassified as irregular expenditure.	38 943 175	10 553 634
Irregular expenditure pertaining to the procurement of refuse removal services.	45 762 274	43 342 402
Irregular expenditure pertaining to the procurement of security services.	-	1 158 648
Irregular Expenditure pertaining to Turnkey Appointments	10 136 538	65 965 960
	117 147 952	127 689 576

**KWADUKUZA MUNICIPALITY
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2019
R

2018 (Restated)
R

Reconciliation of Irregular Expenditure Written-off by Council

Opening Balance	42 047 415	475 085 152
Incurred for the year	117 147 952	127 689 576
Written-off by Council	(102 867 785)	-560 727 313
Remaining to be considered	56 327 582	42 047 415

50 Deviation from supply chain management regulations

Emergency	37 312 068	8 503 530
Sole Provider	1 307 878	2 395 926
Acquisition of social work of art or historic objects where specifications are difficult to compile	2 192 000	2 082 790
Any other exceptional case which it is impractical to follow the official procurement process	9 106 132	6 019 652
Section 36 deviation transferred to irregular expenditure	(38 943 175)	(10 553 634)
Total Section 36 deviations for the financial year	10 974 904	8 448 264

51 Repairs and Maintenance

Buildings	25 349 290	23 859 920
Solid waste	29 200	35 615
Electrical	10 331 299	21 706 524
Furniture and fittings	911 002	1 022 396
Roads	7 039 729	6 677 951
Storm water	4 210 943	8 495 278
Vehicles	8 039 570	8 081 111
	55 911 034	69 878 795

52 Material losses incurred

Electricity distribution losses	115 101 490	93 913 322
Bad debts written off	5 834 549	355 569

Electricity energy losses of 122 149 967 kWh as at June 2019 (June 2018: 107 539 479 kWh) occurred during the year which resulted in revenue loss amounting to R115 101 490 (June 2018: R 93 913 322). The National norm for electricity losses ranges from 6% to 12%. The energy loss incurred by the municipality as at June 2019 is 16.36% (June 2018: 17.01%) and is mainly due to transmission/distribution losses and illegal connections.

53 Councillor's Arrear consumer Accounts as at 30 June 2019

In terms of Section 124 (1) (b) the following particulars are disclosed in respect of any owed by individual councillors during the financial year: The following councillor had debt in excess of 90 days for the months stipulated below:

Councillor: V Govender

July 2018	300 796
August 2018	305 101
September 2018	310 673
October 2018	315 607
November 2018	321 525
December 2018	327 194
January 2019	332 513
February 2019	338 439
March 2019	343 924
April 2019	349 631
May 2019	356 041
June 2019	361 154

**KWADUKUZA MUNICIPALITY
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**2019
R**

**2018 (Restated)
R**

In terms of S124 (1) (b) the above are disclosed in respect of any arrears owed by individual Councillors during the financial year. In terms of clause 30.2 of KwaDukuza Municipality Credit Control & Debt Collection Policy, this matter has been consistently reported to the Office of the Speaker. The Councillor had debt in excess of 90 days for the months as stipulated. The above account is under dispute and is currently being reviewed by the relevant parties.

54 Contributions to Organised Local Government

Amount paid current year	3 731 341	3 419 755
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Audit Fees

Amount paid - current year	3 993 047	4 443 714
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55 VAT

VAT received for the year	25 059 028	22 771 926
VAT paid for year	3 191 127	2 993 172

VAT input receivables and VAT output payables are shown in Note 11.

All VAT returns have been submitted by the due date throughout the year.

56 PAYE and UIF

Current year payroll deductions	58 359 112	54 064 642
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57 Pension and Medical Aid deductions

Current year payroll deductions and council contributions	92 051 056	88 136 026
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58 Budget verses Actual variances

A high level overview of significant Operating Variances between the 30 June final budget and Actual amounts are summarised below :

Significant for the purposes of this note is defined as greater than 15% and R 1 000 000.

Revenue:

58.1 Other Income

Variance is as a result of higher recognition of demand based contribution than anticipated (R4m) and revenue on Special Rating Areas

58.2 Interest received - investments

Due to sound investment principles and a higher than expected cash holding as a result of low capital expenditure , interest received was higher than anticipated.

58.3 Public contributions and donations

At the time of budgeting, the timing of the transfer cannot be determined with sufficient reliability. Donations represents various assets for the Sugar Rush and Ballito Hills electrical infrastructure.

58.4 Property rates - penalties imposed

The Budget for Property rates revenue includes property rates- penalties imposed.

58.5 Fines

Traffic fines issued was substantially lower than anticipated.

Expenditure

58.6 Debt Impairment

2019
R

2018 (Restated)
R

A review of the debtors database has resulted in increased write-off's and an increased debt impairment. This is consistent with a decrease in overall collection levels.

58.7 Depreciation

As a result of fewer than expected capital assets being released from Work in Progress , the deprecation expense for the year was lower than anticipated.

58.8 Contracted services

Expenditure relating to Mr Price Pro expenditure (R6.2m); KDM Music Festival (R2.8m) and legal fees (R5.7m) are disclosed under general expenditure. Due to various efficiencies and the implementation of cost cutting measures, various savings were recognised.

58.9 Other Expenses

The variances can be found in Contracted services and Special rating expenditure under Property Rates.

58.10 Loss on disposal of assets

Various unforeseen losses on disposal of assets were recognised during the year end asset project.

58.11 Capital Budget

Non-adherence to procurement plans by the Business Units had the resultant effect of delays in awards of contracts.

45 FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

45.1 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

	1 Year or less	1 - 5 years	Total
2019			
Gross finance lease obligations	939 758	1 602 325	2 542 083
Long Term Borrowings	9 830 016	211 098 042	220 928 058
Trade and other payables	297 632 637	-	297 632 637
Consumer deposits	33 500 617	-	33 500 617
Foreign Currency	3 183 457	-	3 183 457
Government Grants	42 569 118	-	42 569 118
	387 655 604	212 700 367	600 355 971
2018			
Gross finance lease obligations	-	-	-
Long Term Borrowings	9 329 526	220 928 059	230 257 585
Trade and other payables	214 083 214	-	214 083 214
Consumer deposits	32 018 269	-	32 018 269
Foreign Currency	2 351 776	-	2 351 776
Government Grants	52 234 440	-	52 234 440
	310 017 225	220 928 059	530 945 284

45.2 Maximum credit risk exposure

Credit rate risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevant financial instruments is as follows (domestic exposure only)

	2019	2018
Short term Investments	132 756 847	106 872 971
Cash and Cash Equivalents	565 939 178	403 908 013
Interest rate swaps	-	-
Financial guarantees	-	-
Trade and other receivables	207 615 880	200 682 430

45.3 Market Risk:

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

	2019	2018
Call deposits	-	-
Investment deposits	-	-
Bank balances and cash	565 939 178	403 908 013
Short term Investments	132 756 847	106 872 971
Maximum Interest exposure	698 696 025	510 780 984

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

KWADUKUZA MUNICIPALITY

UNAUDITED APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2019

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/2018	Received during the year	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/2019
		%		R	R	R	R
Non Annuity Loans							
DBSA R43M LOAN	101267/1	10.43%	31/03/2026	16 664 362.23	-	2 083 045	14 581 317
DBSA R28.9M (ELECT)	61006918/19	9.73%	30/09/2030	135 774 178.44	-	4 606 350	131 167 829
DBSA: R5.888 LOAN	61006918/19	9.73%	31/12/2032	77 819 043.87	-	2 640 132	75 178 912
TOTAL EXTERNAL LOANS				230 257 585	-	9 329 527	220 928 058

KWADAKUZA MUNICIPALITY
UNAUDITED APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2019

	COST /REVALUATION								ACCUMULATED DEPRECIATION						
	Opening Balance	Additions	WIP brought into use	Assets fair valued	Assets Donated	Recognition of expensed items	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Impairment	Transfers	Closing Balance	Carrying Value
Infrastructure Roads	770 579 660	42 435.00	55 752 498.91				-98 264	826 276 329	-210 090 140	-21 744 106	64 715	-8 348		231 777 880	594 498 450
Buildings	236 696 945	2 473 600.15	21 637 764.83					260 808 310	-63 721 051	-14 256 402		-240 764		78 218 216	182 590 094
Cemetries	13 055 385							13 055 385	-3 180 399	-587 875				3 768 274	9 287 111
Solid Waste	5 260 016	502 802.60				179 000		5 941 819	-1 826 245	-329 460				2 155 705	3 786 114
Housing Assets	8 972 974							8 972 974	-6 655 829	-402 366				7 058 195	1 914 778
Stormwater Infrastructure	234 548 659	100 460.00	26 676 905.59				-4 905	261 321 120	-70 921 690	-5 035 680	4 577	-362 868		76 315 661	185 005 459
Developed Land	141 787 924						(966 200.00)	140 821 724	-					-	140 821 724
Electricity Infrastructure	740 853 343	-	17 294 351.94		27 512 743.79	6 014 421.00		791 674 859	-235 611 120	-17 979 001		-202 924		253 793 045	537 881 814
Vehicles	67 529 065	3 544 175.35						71 073 240	-41 405 834	-3 277 832				44 683 666	26 389 574
Leased Assets	331 622	2 977 194					(6 290.04)	3 302 526	-306 841	-504 288	5 237.99			805 892	2 496 634
Undeveloped Land	253 770 750	69 000					(927 500.00)	252 912 250	-					-	252 912 250
Assets under Construction	151 637 654	134 163 106.65	(121 773 143.44)				(1 592 879.90)	162 434 737	-207 213					207 213	162 227 524
Furniture and Fittings	56 216 057	2 802 102.30	411 622.17	67 209.28	162 999		(13 073.11)	59 646 917	-41 290 014	-4 426 142	10 633.27	-3 968		45 709 491	13 937 427
	2 681 240 053	146 674 876	-0	67 209	27 675 743	6 193 421	-3 609 112	2 858 242 191	-675 216 376	-68 543 153	85 163	-818 871	-	744 493 237	2 113 748 954

KWADAKUZA MUNICIPALITY

UNAUDITED APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2019

		COST / REVALUATION					ACCUMULATED DEPRECIATION						
		OPENING BALANCE	ADDITIONS		DISPOSALS	CLOSING BALANCE		OPENING BALANCE	ADDITIONS	DISPOSALS	IMPAIRMENT	CLOSING BALANCE	CARRYING VALUE
001	EXECUTIVE AND COUNCIL	188 162 142	18 544 695		(1 893 700)	204 813 137		10 667 137	1 539 458		240 764	12 447 359	192 365 778
002	FINANCE AND ADMINISTRATION	192 231 553	22 895 741		(19 363)	215 107 931		27 036 183	4 258 632	(15 871)	3 968.00	31 282 912	183 825 019
003	PLANNING AND DEVELOPMENT	16 352 502	104 931			16 457 433		8 839 063	1 745 894			10 584 957	5 872 476
005	COMMUNITY AND SOCIAL SERVICES	475 295 769	43 659 845			518 955 614		63 526 619	9 365 847			72 892 466	446 063 148
007	PUBLIC SAFETY	28 329 476	504 856			28 834 332		21 461 910	3 845 621			25 307 531	3 526 801
010	ROAD TRANSPORT	884 653 368	69 054 231		(1 696 049)	952 011 550		263 867 778	22 517 384	(69 292)	371 216.16	286 687 087	665 324 463
011	ELECTRICITY	896 215 243	25 846 950			922 062 193		279 817 685	25 270 318		202 924.00	305 290 927	616 771 267
-													
Grand Total		2 681 240 054	180 611 249	-	(3 609 112)	2 858 242 191		675 216 376	68 543 154	(85 163)	818 872	744 493 238	2 113 748 952

KWADUKUZA MUNICIPALITY

**UNAUDITED APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE
2019**

			2019 Actual Revenue R		2019 Actual Expenditure R		2019 (Surplus)/ Deficit R
		Executive and Council	(74 741 137)		82 984 269		8 243 132
		Finance and Administration	(541 837 449)		149 724 358		(392 113 091)
		Planning and Development	(23 730 949)		54 465 589		30 734 640
		Community and Social Services	(14 817 640)		36 510 605		21 692 965
		Housing	(5 410 116)		11 056 284		5 646 168
		Public Safety	14 465		31 747 604		31 762 069
		Sports and Recreation	(38 857 198)		84 956 797		46 099 599
		Waste Management	(75 214 169)		82 098 870		6 884 700
		Road Transport	(88 316 086)		148 670 427		60 354 342
		Electricity	(852 807 452)		787 350 283		(65 457 169)
		Sub Total	(1715 717 732)		1 469 565 087		(246 152 645)

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX E: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2019

	Actual 2019	Budget 2019	Budget after virements 2019	Variance 2019	Variance 2019
	R	R		R	%
REVENUE					
Revenue from non-exchange transactions					
Property rates	(441 683 306)	(451 290 799)	(451 290 799)	9 607 493	-2.13%
Property rates - penalties imposed and collection charges	(14 684 033)	(13 000 000)	(13 000 000)	(1 684 033)	12.95%
Fines	(12 779 409)	(25 319 169)	(25 319 169)	12 539 760	-49.53%
Government grants and subsidies	(235 503 810)	(238 312 000)	(238 312 000)	2 808 190	-1.18%
Licences and permits	(11 136 751)	(10 642 918)	(10 642 918)	(493 833)	4.64%
Public donations - Property, plant and equipment	(27 675 743)	-	-	(27 675 743)	
Revenue from exchange transactions					
Service charges	(868 459 465)	(834 017 698)	(834 017 698)	(34 441 767)	4.13%
Rental of facilities and equipment	(1 226 997)	(1 630 164)	(1 630 164)	403 167	-24.73%
Interest earned investments	(39 869 430)	(30 025 216)	(30 025 216)	(9 844 214)	32.79%
Interest earned outstanding debtors	(6 347 681)	(6 850 004)	(6 850 004)	502 323	-7.33%
Other income	(51 501 105)	(119 144 408)	(119 144 408)	67 643 303	-56.77%
Revaluation of investment properties	(4 850 000)	-	-	(4 850 000)	
Total Revenue	(1 715 717 732)	(1 730 232 376)	(1 730 232 376)	14 514 645	
EXPENDITURE	1 715 717 732				
Executive and Council	82 984 269	106 862 305	106 861 680	(23 877 411)	-22.34%
Finance and Administration	149 724 358	164 728 562	164 688 387	(14 964 029)	-9.08%
Planning and Development	54 465 589	65 238 532	65 238 531	(10 772 942)	-16.51%
Community and Social Services	36 510 605	39 881 815	39 881 815	(3 371 210)	-8.45%
Housing	11 056 284	17 544 657	17 529 658	(6 473 374)	-36.90%
Public Safety	31 747 604	33 210 930	33 210 930	(1 463 326)	-4.41%
Sports and Recreation	84 956 797	101 507 116	101 490 255	(16 533 458)	-16.29%
Waste Management	82 098 870	82 255 063	82 255 063	(156 193)	-0.19%
Road Transport	148 670 427	187 685 865	187 743 520	(39 073 093)	-20.82%
Electricity	787 350 283	857 707 092	857 722 097	(70 371 814)	-8.20%
Total Expenditure	1 469 565 087	1 656 621 938	1 656 621 936	(187 056 850)	-7.10%
SURPLUS FOR THE YEAR	(246 152 645)	(73 610 439)	(73 610 440)	(172 542 205)	

KWADUKUZA MUNICIPALITY
UNAUDITED APPENDIX F : GRANTS AND SUBSIDIES RECEIVED - 2018/2019

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2017/2018 financial statements	Returned to National Treasury	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2018/2019 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
				July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
				1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	-	61 615 000	49 292 000	36 969 000	-	147 876 000	61 615 000	49 292 000	36 969 000	-	147 876 000	-	NO	N/A	YES	N/A
Municipal Infrastructure Grant (MIG)	COGTA	-	-	26 000 000	24 665 000	3 301 000	-	53 966 000	16 133 726	5 131 803	7 247 680	24 060 488	52 573 697	1 392 303	NO	N/A	NO	The municipality did not obtain pre-approval for prior period expenditure which was authorised by COGTA. AG and Treasury deemed contrary to DORA.
INEP Grant	Integrated National Electrification Grant	15 924 506	-15 924 506	-	-	-	9 920 000	9 920 000	-	-	-	9 307 002	9 307 002	612 998	YES	Poor spending in prior year resulted in delay in transfer of allocation.	YES	N/A
Finance Management Grant	National Treasury	-	-	1 800 000	-	-	-	1 800 000	204 806	185 895	343 325	1 065 974	1 800 000	-	NO	N/A	YES	N/A
Museum	Office Of the Premier	-	-	192 000	-	-	-	192 000	192 000	-	-	-	192 000	-	NO	N/A	YES	N/A
DPT Sports	Department of Sports & recreation	94 541	-	-	50 000	-	-	50 000	22 269	22 381	22 381	54 222	121 253	23 288	NO	N/A	YES	N/A
Municipal Assistance Programme Grant	DPLG	284 402	-	-	-	-	-	-	36 190	27 081	74 177	54 719	192 166	92 236	NO	N/A	YES	N/A
New Library	Department of Arts & Culture	491 516	-	591 000	-	-	-	591 000	155 882	154 043	143 010	292 821	745 755	336 761	NO	N/A	YES	N/A
Small Town Rehabilitation Grant	COGTA	-	-	-	-	5 000 000	-	5 000 000	-	-	-	989 662	989 662	4 010 338	NO	N/A	YES	N/A
EPWP	National Treasury	-	-	385 000	693 000	462 000	-	1 540 000	425 170	556 550	441 928	116 352	1 540 000	-	NO	N/A	YES	N/A
Housing Accreditation	Department Of Human Settlements	17 747 140	-	-	-	3 056 988	443 006	3 499 994	-	1 206 114	1 248 111	1 674 371	4 128 596	17 118 538	NO	N/A	YES	N/A
Library Subsidy	Department of Arts & Culture	-	-	-	5 028 000	-	-	5 028 000	-	-	5 028 000	-	5 028 000	-	NO	N/A	YES	N/A
Energy Efficiency Demand Side Management EEDM)	National Treasury	-	-	2 000 000	2 000 000	1 000 000	-	5 000 000	-	-	-	4 641 005	4 641 005	358 995	NO	N/A	YES	N/A
		34 542 105	(15 924 506)	92 583 000	81 728 000	49 788 988	10 363 006	234 462 994	78 785 043	56 575 868	51 517 611	42 256 616	229 135 138	23 945 455				